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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, you should consult an exchange participant or other licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Jilin Qifeng Chemical Fiber Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**吉林奇峰化纖股份有限公司**  
**JILIN QIFENG CHEMICAL FIBER CO., LTD.\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 549)**

**CONTINUING CONNECTED TRANSACTIONS**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting of Jilin Qifeng Chemical Fiber Co., Ltd. (the “**Company**”) to be held at the meeting room of 6th Floor, No. 516-1, Jiuzhan Street, Jilin City, Jilin Province, the People’s Republic of China on Tuesday, 29 November 2016 at 9 a.m. (the “**EGM**”) is set out on pages 56 to 61 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the H Shares registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong (in respect of H Shares), or to the Company’s registered office in the PRC at Block 4, Zone D, Hengshan West Road, Jilin New and High Technology Development Zone, Jilin City, Jilin Province, the PRC (in respect of Domestic Shares and Non-H Foreign Shares) as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

\* *The company is registered as a non-Hong Kong company under Part 16 of the Company Ordinance (Chapter 622 of the Laws of Hong Kong) under the English name “Jilin Qifeng Chemical Fiber Co., Ltd.”*

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise.*

“2013 Aika Utilities and Services Provision Agreement”	the utilities and services provision agreement dated 27 September 2013 entered into between the Company and Aika
“2013 Company-Furunde Acrylic Fibre Products Sales Agreement”	the sales agreement dated 27 September 2013 entered into between the Company and Furunde
“2013 Furunde Sales Agreements Revised Caps”	the proposed revised annual caps for transactions under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement of RMB50 million and RMB50 million, respectively
“2013 JCFCL Utilities and Services Provision Agreement”	the utilities and services provision agreement dated 27 September 2013 entered into between the Company and JCFCL
“2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement”	the sales agreement dated 27 September 2013 entered into between Jimont and Furunde
“2014 Company-JCF Import Export Sales Agreement”	the sales agreement dated 4 July 2014 entered into between the Company and JCF Group Import Export
“2014 Jimont-JCF Import Export Sales Agreement”	the sales agreement dated 4 July 2014 entered into between Jimont and JCF Group Import Export
“2014 Jimont-JCF Import Export Sales Agreement Revised Cap”	the proposed revised annual cap for transactions under the 2014 Jimont-JCF Import Export Sales Agreement of RMB500 million
“2016 Acrylonitrile Supply Agreement”	the acrylonitrile supply agreement dated 25 May 2016 pursuant to which Furunde agreed to sell and the Company agreed to purchase acrylonitrile
“2016 Company-Tuopu Textile Sales Agreement”	the sales agreement dated 15 June 2016 pursuant to which the Company agreed to supply and Tuopu Textile agreed to purchase Acrylic Fibre Products
“2016 Jimont-Tuopu Textile Sales Agreement”	the sales agreement dated 15 June 2016 pursuant to which Jimont agreed to supply and Tuopu Textile agreed to purchase Acrylic Fibre Products
“2017 Aika Utilities and Services Provision Agreement”	the utilities and services provision agreement entered into between the Company and Aika dated 1 September 2016

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## DEFINITIONS

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“2017 Company-Furunde Acrylic Fibre Products Sales Agreement”	the Acrylic Fibre Products sales agreement dated 1 September 2016 pursuant to which the Company has agreed to supply to Furunde and Furunde has agreed to purchase Acrylic Fibre Products from the Company
“2017 Company-Furunde Acrylonitrile Supply Agreement”	the acrylonitrile supply agreement dated 1 September 2016 pursuant to which Furunde agreed to sell and the Company agreed to purchase acrylonitrile
“2017 Company-JCF Import Export Sales Agreement”	the sales agreement dated 1 September 2016 entered into between the Company and JCF Group Import Export
“2017 Company-Tuopu Textile Sales Agreement”	the sales agreement dated 1 September 2016 pursuant to which the Company agreed to supply and Tuopu Textile agreed to purchase Acrylic Fibre Products
“2017 Furunde Acrylonitrile Supply Agreements”	the 2017 Company-Furunde Acrylonitrile Supply Agreement and the 2017 Jimont-Furunde Acrylonitrile Supply Agreement
“2017 Furunde Sales Agreements”	the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement
“2017 JCFCL Utilities and Services Provision Agreement”	the utilities and services provision agreement entered into between the Company and JCFCL dated 1 September 2016
“2017 JCF Import Export Sales Agreements”	the 2017 Company-JCF Import Export Sales Agreement and the 2017 Jimont-JCF Import Export Sales Agreement
“2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement”	the Acrylic Fibre Products sales agreement dated 1 September 2016 pursuant to which Jimont has agreed to supply to Furunde and Furunde has agreed to purchase Acrylic Fibre Products from Jimont
“2017 Jimont-Furunde Acrylonitrile Supply Agreement”	the acrylonitrile supply agreement dated 1 September 2016 pursuant to which Furunde agreed to sell and Jimont agreed to purchase acrylonitrile
“2017 Jimont-JCF Import Export Sales Agreement”	the sales agreement dated 1 September 2016 entered into between Jimont and JCF Group Import Export
“2017 Jimont-Tuopu Textile Sales Agreement”	the sales agreement dated 1 September 2016 pursuant to which Jimont agreed to supply and Tuopu Textile agreed to purchase Acrylic Fibre Products
“2017 Kaimeike Utilities and Services Provision Agreement”	the utilities and services provision agreement entered into between the Company and Kaimeike dated 1 September 2016

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## DEFINITIONS

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“2017 Tuopu Textile Sales Agreements”	the 2017 Company-Tuopu Textile Sales Agreement and the 2017 Jimont-Tuopu Textile Sales Agreement
“2017 Utilities and Services Provision Agreements”	collectively, the 2017 JCFCL Utilities and Services Provision Agreement, the 2017 Aika Utilities and Services Provision Agreement and the 2017 Kaimeike Utilities and Services Provision Agreement
“Acrylic Fibre Products”	the acrylic stable fibre, acrylic tow and acrylic top fibre products
“Aika”	吉林艾卡粘膠纖維有限公司 (Jilin Aika Viscose Fiber Co., Ltd.#), a Sino-foreign equity joint venture company established in the PRC, which is owned by JCFCL as to 70% and by ENKA, a company based in Germany, as to 30%
“Announcement”	the announcement of the Company dated 1 September 2016
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	吉林奇峰化纖股份有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.*), a foreign invested joint stock limited company converted from 吉林奇峰化纖有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.*), a Sino-foreign equity joint venture company established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Domestic Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
“EGM”	the extraordinary general meeting of the Company to be held at the meeting room of 6th Floor, No. 516-1, Jiuzhan Street, Jilin City, Jilin Province, the PRC on Tuesday, 29 November 2016 at 9 a.m.

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## DEFINITIONS

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“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“Furunde”	吉林化纖福潤德紡織有限公司 (Jilin Chemical Fiber Furunde Textile Co., Ltd. <sup>#</sup> , formerly known as 吉林市凱麟貿易有限公司 (Jilin Kailin Trading Co., Ltd. <sup>#</sup> )), a company established in the PRC and owned as to 100% by JCF Groupco
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for traded in Hong Kong dollars and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	(i) Shareholders other than Aika, Furunde, JCFCL, JCF Groupco, JCF Group Import Export, Kaimeike, Tuopu Textile, their respective Associates, their respective ultimate beneficial owners and the Associates thereof; and (ii) Shareholders who have no interests in the relevant Non-exempt Continuing Connected Transactions Agreements, who are not required to abstain from voting on a resolution to approve the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the relevant proposed annual caps and revised annual caps at the EGM pursuant to the Listing Rules
“Independent Third Party/ies”	third party/ies and their ultimate beneficial owner(s) which is/are independent of the Company and Jimont and their respective connected persons

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## DEFINITIONS

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“JCFCL”	吉林化纖股份有限公司 (Jilin Chemical Fibre Co., Ltd. <sup>#</sup> ), a joint stock company established in the PRC with limited liability and owned as to 14.5% by JCF Groupco, with its shares listed as A Shares on the Shenzhen Stock Exchange
“JCF Groupco”	吉林化纖集團有限責任公司 (Jilin Chemical Fiber Group Co., Ltd. <sup>#</sup> ), a company with limited liability established in the PRC and the controlling shareholder and a substantial shareholder of the Company
“JCF Group Import Export”	吉林化纖集團進出口有限公司 (Jilin Chemical Fiber Group Import Export Co., Ltd. <sup>#</sup> ), a company with limited liability established in the PRC and a wholly-owned subsidiary of JCF Groupco
“Jimont”	吉林吉盟睛綸有限公司 (Jilin Jimont Acrylic Fiber Co., Ltd. <sup>#</sup> ), a joint venture company established in the PRC on 21 December 2005, which is owned by the Company as to 50% and by Jiangsu Zhongxin Ziyuan Group Limited as to 50%. It is considered as part of the Company for the purpose of applying the requirements in the Listing Rules regarding connected transactions
“Kaimeike”	吉林凱美克化工有限公司 (Jilin Kaimeike Chemical Co., Ltd. <sup>#</sup> ), a company established in the PRC on 22 July 2014 and is a wholly owned subsidiary of JCFCL
“Latest Practicable Date”	7 October 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under each of the Non-exempt Continuing Connected Transactions Agreements, the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap
“Non-exempt Continuing Connected Transactions Agreements”	(i) the 2017 Tuopu Textile Sales Agreements, (ii) the 2017 Furunde Sales Agreements, (iii) the 2017 JCF Import Export Sales Agreements, (iv) the 2017 Furunde Acrylonitrile Supply Agreements and (v) the 2017 Utilities and Services Provision Agreements
“Non-H Foreign Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by persons other than RPC legal or natural persons

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## DEFINITIONS

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“Notice”	the notice of the EGM as set out on pages 56 to 61 of this circular
“Power Station”	the utilities generation and transmission and water treatment facilities owned by the Company
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Tuopu Textile”	吉林市拓普紡織產業開發有限公司 (Jilin Tupou Textile Industrial Development Co., Ltd. <sup>#</sup> ), a company established in the PRC with limited liability and a wholly-owned subsidiary of and an associate of JCF Groupco
“Utilities”	desalted water, water and steam for industrial use and electricity generated by the Power Station
“Water Treatment Services”	water treatment services provided by the Power Station

\* *The Company is registered as a non-Hong Kong company under Part 16 of the Company Ordinance (chapter 622 of the Laws of Hong Kong) under the English name “Jilin Qifeng Chemical Fiber Co., Ltd.”.*

# *For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.*



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**LETTER FROM THE BOARD**

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**吉林奇峰化纖股份有限公司**  
**JILIN QIFENG CHEMICAL FIBER CO., LTD.\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 549)**

*Executive Directors:*

Mr. Song Dewu (*Chairman*)  
Mr. Yang Xuefeng  
Mr. Pan Xianfeng

*Non-executive Directors:*

Mr. Ma Jun  
Mr. Jiang Junzhou  
Mr. Wu Song

*Independent Non-executive Directors:*

Mr. Li Yanxi  
Mr. Jin Jie  
Mr. Lv Xiaobo  
Ms. Zhu Ping

*Registered office:*

Block 4, Zone D, Hengshan West Road,  
Jilin New and High Technology  
Development Zone  
Jilin City, Jilin Province  
The PRC

*Principal place of business in Hong Kong:*

Unit 1715, 17/F, Concordia Plaza,  
No.1 Science Museum Road,  
Tsimshatsui, Kowloon

12 October 2016

*To the Shareholders,*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**A. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the Non-exempt Continuing Connected Transactions in order to allow you to make an informed decision on voting in respect of the resolutions to be proposed at the EGM.

The Independent Board Committee, the composition of which is the same as the connected transactions committee of the Directors, comprising Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo and Ms. Zhu Ping, has been formed to advise the Independent Shareholders and First Shanghai Capital Limited has been appointed as the independent financial adviser to advise both the Independent Board Committee, the connected transactions committee of the Directors and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions Agreements, their respective proposed annual caps, the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap.

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## LETTER FROM THE BOARD

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### B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 1 September 2016.

On 1 September 2016, the Company announced that it has entered into, among others, the Non-exempt Continuing Connected Transaction Agreements. The particulars of the Non-exempt Continuing Connected Transaction Agreements are set out as follows.

#### 1. THE 2017 TUOPU TEXTILE SALES AGREEMENTS

##### **Background**

Reference is made to the announcement of the Company dated 15 June 2016. The Company and Jimont have been selling Acrylic Fibre Products to Tuopu Textile under the 2016 Company-Tuopu Textile Sales Agreement and the 2016 Jimont-Tuopu Textile Sales Agreement, respectively. The terms of the 2016 Company-Tuopu Textile Sales Agreement and the 2016 Jimont-Tuopu Textile Sales Agreement will expire on 31 December 2016. On 1 September 2016, the Company entered into the 2017 Company-Tuopu Textile Sales Agreement with Tuopu Textile and Jimont entered into the 2017 Jimont-Tuopu Textile Sales Agreement with Tuopu Textile.

##### **(i) 2017 Company-Tuopu Textile Sales Agreement**

##### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	The Company as seller Tuopu Textile as purchaser
Subject:	Pursuant to the 2017 Company-Tuopu Textile Sales Agreement, the Company has agreed to supply to Tuopu Textile and Tuopu Textile has agreed to purchase Acrylic Fibre Products from the Company.
Term:	The term of the 2017 Company-Tuopu Textile Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Company-Tuopu Textile Sales Agreement shall be renewable by mutual agreement between the Company and Tuopu Textile for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).

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## LETTER FROM THE BOARD

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- Price:** Pursuant to the 2017 Company-Tuopu Textile Sales Agreement, the price payable by Tuopu Textile will be determined based on normal commercial terms after arm's length negotiation. The price as offered by the Company shall be no less favourable than those offered to Independent Third Parties for products of a similar type. The Company shall review such pricing policy regularly. Tuopu Textile shall pay the purchase price in cash for the Acrylic Fibre Products purchased from its working capital. Tuopu Textile shall make payment to the Company within 3 months after receipt and due inspection of the goods, and overdue payments would be subject to interest charged at a rate to be agreed between the parties until the payment is settled in full.
- Historical figures:** For each of the years ended 31 December 2014 and 2015, the sales of Acrylic Fibre Products by the Company to Tuopu Textile were nil and RMB3.0 million, respectively. The actual aggregate amount transacted under the 2016 Company-Tuopu Textile Sales Agreement since the date of the agreement of 15 June 2016 up to the date of the Announcement was nil.
- Proposed annual caps:** The maximum aggregate annual sales from the Company to Tuopu Textile under the 2017 Company-Tuopu Textile Sales Agreement (the **"2017 Company-Tuopu Textile Sales Annual Cap"**) is estimated not to exceed RMB32.5 million, RMB32.5 million and RMB32.5 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Company-Tuopu Textile Sales Agreement are determined with reference to, among other things, the historical transaction amounts and the expected demand for the Acrylic Fibre Products of the Company by Tuopu Textile. In particular, the Company is informed by Tuopu Textile that the production capacity of Tuopu Textile has been significantly increased as a result of the expansion of its facilities and it is expected that Tuopu Textile will continue to purchase Acrylic Fibre Products manufactured by the Company and Jimont.

### (ii) 2017 Jimont-Tuopu Textile Sales Agreement

#### *Principal Terms*

- Date of agreement:** 1 September 2016
- Parties:** Jimont as seller  
Tuopu Textile as purchaser
- Subject:** Pursuant to the 2017 Jimont-Tuopu Textile Sales Agreement, Jimont has agreed to supply to Tuopu Textile and Tuopu Textile has agreed to purchase Acrylic Fibre Products from Jimont.

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## LETTER FROM THE BOARD

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- Term:** The term of the 2017 Jimont-Tuopu Textile Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Jimont-Tuopu Textile Sales Agreement shall be renewable by mutual agreement between Jimont and Tuopu Textile for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
- Price:** Pursuant to the 2017 Jimont-Tuopu Textile Sales Agreement, the price payable by Tuopu Textile will be determined based on normal commercial terms after arm's length negotiation. The price as offered by Jimont shall be no less favourable than those offered to Independent Third Parties for products of a similar type. Jimont shall review such pricing policy regularly. Tuopu Textile shall pay the purchase price in cash for the Acrylic Fibre Products purchased from its working capital. Tuopu Textile shall make payment to Jimont within 3 months after receipt and due inspection of the goods, and overdue payments would be subject to interest charged at a rate to be agreed between the parties until the payment is settled in full.
- Historical figures:** For each of the years ended 31 December 2014 and 2015, sales of Acrylic Fibre Products by Jimont to Tuopu was approximately RMB0.04 million and nil, respectively. The actual aggregate amount transacted under the 2016 Jimont-Tuopu Textile Sales Agreement for the six months ended 30 June 2016 was approximately RMB3.6 million.
- Proposed annual caps:** The maximum aggregate annual sales from Jimont to Tuopu Textile under the 2017 Jimont-Tuopu Textile Sales Agreement (the "**2017 Jimont-Tuopu Textile Sales Annual Cap**") is estimated not to exceed RMB32.5 million, RMB32.5 million and RMB32.5 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Jimont-Tuopu Textile Sales Agreement are determined with reference to, among other things, the historical transaction amounts and the expected demand for the Acrylic Fibre Products of Jimont by Tuopu Textile. In particular, the Company is informed by Tuopu Textile that the production capacity of Tuopu Textile has been significantly increased as a result of the expansion of its facilities and it is expected that Tuopu Textile will continue to purchase Acrylic Fibre Products manufactured by the Company and Jimont.

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## LETTER FROM THE BOARD

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### *Reasons for and benefits of the 2017 Tuopu Textile Sales Agreements*

Sales of Acrylic Fibre Products by the Group to Tuopu Textile under the 2017 Tuopu Textile Sales Agreements are in the ordinary and usual course of business of the Group. By entering into the 2017 Company-Tuopu Textile Sales Agreement and procuring Jimont to enter into the 2017 Jimont-Tuopu Textile Sales Agreement with Tuopu Textile in respect of the sales of Acrylic Fibre Products would provide a secure source of revenue for the Company and Jimont during the term of the 2017 Tuopu Textile Sales Agreements. In addition, given Tuopu Textile locates near to the manufacturing facilities of the Company and Jimont, sales to Tuopu Textile will save transportation costs of the Company and Jimont.

The Board (excluding the independent non-executive Directors whose views are set out in the “Letter from The Independent Board Committee”) considers that the terms of each of the 2017 Tuopu Textile Sales Agreements are fair and reasonable, the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

## **2. THE 2017 FURUNDE SALES AGREEMENTS**

Reference is made to the announcement of the Company dated 27 September 2013. Furunde is primarily engaged in the wholesale and retail sales of, among other things, chemical products and textile raw materials, including Acrylic Fibre Products. The Company and Jimont have been selling Acrylic Fibre Products to Furunde under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2013 Jimont-Furunde Acrylic Fibre Products, respectively. The terms of the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement will expire on 31 December 2016.

On 1 September 2016, the Company and Jimont entered into the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, with Furunde, pursuant to which the Company and Jimont will provide Acrylic Fibre Products to Furunde from 1 January 2017 to 31 December 2019.

### **(i) 2017 Company-Furunde Acrylic Fibre Products Sales Agreement**

#### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	The Company as seller Furunde as purchaser
Subject:	Pursuant to the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement, the Company has agreed to supply to Furunde and Furunde has agreed to purchase Acrylic Fibre Products from the Company.

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## LETTER FROM THE BOARD

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- Term:** The term of the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and, the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement shall be renewable by mutual agreement between the Company and Furunde for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
- Price:** Pursuant to the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement, the price payable by Furunde will be determined based on normal commercial terms after arm's length negotiation. The price as offered by the Company shall be no less favourable than those offered to Independent Third Parties for products of a similar type. The Company shall review such pricing policy regularly. Furunde shall pay the purchase price in cash for the Acrylic Fibre Products purchased from its working capital. The Acrylic Fibre Products provided by the Company will be paid by Furunde within 3 months upon issuance of the invoice by the Company and overdue payments would be subject to interest charged at a rate to be agreed between the parties until the payment is settled in full.
- Historical figures:** The aggregate amount of contract price paid by Furunde to the Company for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement, were approximately RMB2.1 million, RMB8.5 million and RMB1.5 million, respectively.
- Proposed annual caps:** The maximum aggregate annual sales from the Company to Furunde under the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement (the "**2017 Company-Furunde Acrylic Fibre Products Sales Annual Cap**") is estimated not to exceed RMB100 million, RMB100 million and RMB100 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement are determined with reference to, among other things, the historical transaction amounts and Furunde's sales target for the Acrylic Fibre Products.

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## LETTER FROM THE BOARD

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### (ii) 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement

#### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	Jimont as seller Furunde as purchaser
Subject:	Pursuant to the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, Jimont has agreed to supply to Furunde and Furunde has agreed to purchase Acrylic Fibre Products from Jimont.
Term:	The term of the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement shall be renewable by mutual agreement between Jimont and Furunde for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
Price:	Pursuant to the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, the price payable by Furunde will be determined based on normal commercial terms after arm's length negotiation. The price as offered by Jimont shall be no less favourable than those offered to Independent Third Parties for products of a similar type. Jimont shall review such pricing policy regularly. Furunde shall pay the purchase price in cash for the Acrylic Fibre Products purchased from its working capital. The Acrylic Fibre Products provided by Jimont will be paid by Furunde within 3 months upon issuance of the invoice by Jimont and overdue payments would be subject to interest charged at a rate to be agreed between the parties until the payment is settled in full.
Historical figures:	The aggregate amount of contract price paid by Furunde to Jimont for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 under the 2013 Jimont-Furunde Fibre Products Sales Agreement were nil, approximately RMB7.2 million and RMB4.0 million, respectively.

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## LETTER FROM THE BOARD

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Proposed annual caps: The maximum aggregate annual sales from Jimont to Furunde under the Jimont-Furunde Acrylic Fibre Products Sales Agreement (the “**2017 Jimont-Furunde Acrylic Fibre Products Sales Annual Cap**”) is estimated not to exceed RMB100 million, RMB100 million and RMB100 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement are determined with reference to, among other things, the historical transaction amounts and Furunde’s sales target for the Acrylic Fibre Products.

### *Reasons for and benefits of the 2017 Furunde Sales Agreements*

It is in each of the Company’s and Jimont’s usual course of business that some of its products will be sold to several large distributors at prices pre-set by the Company and Jimont, respectively, for their onward sales to smaller end-user customers. Furunde has been purchasing Acrylic Fibre Products from the Group since 2013 and have established a good track record of settling payments with the Group. By entering into the 2017 Furunde Sales Agreements and the transactions thereunder, the Company and Jimont will be able to utilise Furunde’s sales and distribution network while at the same time minimise the credit risks usually associated with sales to smaller customers, which generally have less working capital and may be difficult to have their credit rating properly assessed. This would provide a secure source of revenue for the Company and Jimont in the next few years, particularly in light of the increased competitive pressure in the market in recent years.

The Board (excluding the independent non-executive Directors whose views are set out in the “Letter from The Independent Board Committee”) considers that the terms and the annual caps of each of the 2017 Furunde Sales Agreements are fair and reasonable, and they are in the interests of the Company and the Shareholders, taken as a whole.

### **REVISION OF THE EXISTING ANNUAL CAPS**

As disclosed in the announcement of the Company dated 27 September 2013, the approved annual caps for transactions under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement for the year ending 31 December 2016 are RMB10 million and RMB10 million, respectively. As at the Latest Practicable Date, such annual caps have not been exceeded. Due to the expected increase in the demand from Furunde for the Acrylic Fibre Products to be provided by the Company and Jimont under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement and the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement in 2016 arising from the increase in the demand of Acrylic Fibre Products from third party customers, it is expected that the approved annual caps of RMB10 million and RMB10 million for 2016 will be exceeded before the end of 2016. Therefore, the Board proposed to revise the annual caps for transactions under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement (being the 2013 Company-Furunde Acrylic Fibre Products Sales Revised Annual Cap) and the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement (being the 2013 Jimont-Furunde Acrylic Fibre Products Sales Revised Annual Cap) for the year ending 31 December 2016 to RMB50 million and RMB50 million, respectively.



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## LETTER FROM THE BOARD

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In determining the above revised annual caps, the Directors have considered: (i) the historical transaction amounts; and (ii) the future level of demand of Furunde for Acrylic Fibre Products.

### 3. THE 2017 JCF IMPORT EXPORT SALES AGREEMENTS

#### Background

Reference is made to the announcement of the Company dated 7 July 2014. The Company and Jimont entered into the 2014 Company-JCF Import Export Sales Agreement and the 2014 Jimont-JCF Import Export Sales Agreement, respectively, with JCF Group Import Export, pursuant to which the Company and Jimont will sell Acrylic Fibre Products to JCF Group Import Export. The term of the 2014 Company-JCF Import Export Sales Agreement and the 2014 Jimont-JCF Import Export Sales Agreement will expire on 31 December 2016. On 1 September 2016, the Company and Jimont entered into the 2017 Company-JCF Import Export Sales Agreement and the 2017 Jimont-JCF Import Export Sales Agreement, respectively, with JCF Group Import Export.

#### (i) 2017 Company-JCF Import Export Sales Agreement

##### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	The Company as seller JCF Group Import Export as purchaser
Subject:	Pursuant to the 2017 Company-JCF Import Export Sales Agreement, the Company has agreed to supply and JCF Group Import Export has agreed to purchase Acrylic Fibre Products from the Company.
Term:	The term of the 2017 Company-JCF Import Export Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Company-JCF Import Export Sales Agreement shall be renewable by mutual agreement between the Company and JCF Group Import Export for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
Price:	Pursuant to the 2017 Company-JCF Import Export Sales Agreement, the price payable by JCF Group Import Export shall not be lower than the prevailing market prices for the relevant Acrylic Fibre Products from time to time. JCF Group Import Export shall pay the purchase price for Acrylic Fibre Products within 90 days after receipt and due inspection of the Acrylic Fibre Products. The Company is entitled to interests accrued on any overdue amount calculated at the base lending rates charged by banks from time to time.

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## LETTER FROM THE BOARD

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- Historical figures: The actual aggregate amount transacted under the 2014 Company-JCF Import Export Sales Agreement for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately RMB0.85 million, RMB45.7 million and RMB28.9 million, respectively.
- Proposed annual caps: The maximum aggregate annual sales from the Company to JCF Group Import Export under the 2017 Company-JCF Import Export Sales Agreement, (the “**2017 Company-JCF Import Export Sales Annual Cap**”) is estimated not to exceed RMB130 million, RMB130 million and RMB130 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Company-JCF Import Export Sales Agreement are determined with reference to, among other things, the historical transaction amounts, the expected growth in demand of Acrylic Fibre Products from the third party customers of JCF Group Import Export and the market price of Acrylic Fibre Products.

### (ii) 2017 Jimont-JCF Import Export Sales Agreement

#### *Principal Terms*

- Date of agreement: 1 September 2016
- Parties: Jimont as seller  
JCF Group Import Export as purchaser
- Subject: Pursuant to the 2017 Jimont-JCF Import Export Sales Agreement, Jimont has agreed to supply and JCF Group Import Export has agreed to purchase Acrylic Fibre Products from Jimont.
- Term: The term of the 2017 Jimont-JCF Import Export Sales Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Jimont-JCF Import Export Sales Agreement shall be renewable by mutual agreement between Jimont and JCF Group Import Export for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders’ approval where applicable).

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## LETTER FROM THE BOARD

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- Price:** Pursuant to the 2017 Jimont-JCF Import Export Sales Agreement, the price payable by JCF Group Import Export shall not be lower than the prevailing market prices for the relevant Acrylic Fibre Products from time to time. JCF Group Import Export shall pay the purchase price for Acrylic Fibre Products within 90 days after receipt and due inspection of the Acrylic Fibre Products. Jimont is entitled to interests accrued on any overdue amount calculated at the base lending rates charged by banks from time to time.
- Historical figures:** The actual aggregate amount transacted under the 2014 Jimont-JCF Import Export Sales Agreement for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately RMB2.6 million, RMB107.4 million and RMB184.0 million, respectively.
- Proposed annual caps:** The maximum aggregate annual sales from Jimont to JCF Group Import Export under the 2017 Jimont-JCF Import Export Sales Agreement (the “**2017 Jimont-JCF Import Export Sales Annual Cap**”) is estimated not to exceed RMB520 million, RMB520 million and RMB520 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Jimont-JCF Import Export Sales Agreement are determined with reference to, among other things, the historical transaction amounts, the expected growth in demand of Acrylic Fibre Products from the third party customers of JCF Group Import Export and the market price of Acrylic Fibre Products.

### *Reasons for and benefits of the 2017 JCF Import Export Sales Agreements*

During their ordinary course of business, the Company and Jimont would sell some of their products, including Acrylic Fibre Products, through import and export distributors to those customers who use foreign currencies for settlement of payments, and JCF Group Import Export is engaged in distributing products to customers who use foreign currencies for settlement of payment. By entering into the 2017 JCF Import Export Sales Agreements, the Company and Jimont will be able to utilize JCF Group Import Export’s sales distribution network to expand their sales to customers who use foreign currencies for settlement of payments.

The Board (excluding the independent non-executive Directors whose views are set out in the “Letter from The Independent Board Committee”) considers that the terms of each of the 2017 JCF Import Export Sales Agreements are fair and reasonable, the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### REVISION OF THE EXISTING ANNUAL CAP

As disclosed in the announcement of the Company dated 7 July 2014, the approved annual cap for transactions under the 2014 Jimont-JCF Import Export Sales Agreement for the year ending 31 December 2016 is RMB270 million. As at the Latest Practicable Date, such annual cap has not been exceeded. Due to the expected increase in demand from JCF Group Import Export for the Acrylic Fibre Products to be provided by Jimont under the 2014 Jimont-JCF Import Export Sales Agreement in 2016 arising from the increase in the demand of Acrylic Fibre Products from third party customers, it is expected that the approved annual cap of RMB270 million will be exceeded before the end of 2016. Therefore, the Board proposed to revise the annual cap for transactions under the 2014 Jimont-JCF Import Export Sales Agreement (being the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap) for the year ending 31 December 2016 to RMB500 million.

In determining the above revised annual cap, the Directors have considered: (i) the historical transaction amounts; and (ii) the future level of demand of JCF Group Import Export for Acrylic Fibre Products.

### Aggregation

Taking into account that the 2017 Company-Tuopu Textile Sales Agreement, the 2017 Jimont-Tuopu Textile Sales Agreement, the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement, the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, the 2017 Company-JCF Import Export Sales Agreement and the 2017 Jimont-JCF Import Export Sales Agreement were entered into by the Company and Jimont with Tuopu Textile, Furunde and JCF Group Import Export, respectively on the same date and are related to the same type of transaction, the Directors consider that it is appropriate to aggregate the transactions under the 2017 Company-Tuopu Textile Sales Agreement, the 2017 Jimont-Tuopu Textile Sales Agreement, the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement, the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, the 2017 Company-JCF Import Export Sales Agreement and the 2017 Jimont-JCF Import Export Sales Agreement for the purpose of determining the relevant percentage ratios under Chapter 14A of the Listing Rules.

Taking into account that the Board proposed to revise the 2013 Furunde Sales Agreements Revised Caps on the same date and are related to the same type of transaction, the Directors consider that it is appropriate to aggregate the 2013 Furunde Sales Agreements Revised Caps for the purpose of determining the relevant percentage ratios under Chapter 14A of the Listing Rules.

### Listing Rules Implications

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the 2017 Tuopu Textile Sales Agreements, the 2017 Acrylic Products Sales Agreements and the 2017 JCF Import Export Sales Agreements on an aggregated basis is expected to be greater than 5% and the annual consideration in respect of such transactions is expected to be greater than HK\$10.0 million.

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## LETTER FROM THE BOARD

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Certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the 2013 Furunde Sales Agreements Revised Caps on an aggregated basis is expected to be greater than 5% and the annual consideration in respect of such transactions is expected to be greater than HK\$10.0 million.

Certain applicable percentage ratios (as defined in Rule 14A.07 of the Listing Rules) in respect of the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap is expected to be greater than 5% and the annual consideration in respect of such transactions is expected to be greater than HK\$10.0 million.

Accordingly, each of the 2017 Tuopu Textile Sales Agreements, the 2017 Furunde Sales Agreements and the JCF Import Export Sales Agreements and the transactions contemplated thereunder, the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **4. THE 2017 FURUNDE ACRYLONITRILE SUPPLY AGREEMENTS**

##### **Background**

Reference is made to the announcement of the Company dated 25 May 2016. The Company entered into the 2016 Acrylonitrile Supply Agreement with Furunde on 25 May 2016 pursuant to which Furunde will provide acrylonitrile to the Company. The term of the 2016 Acrylonitrile Supply Agreement will expire on 31 December 2016. On 1 September 2016, the Company entered into the 2017 Company-Furunde Acrylonitrile Supply Agreement. In addition, on the same day, Jimont entered into the 2017 Jimont-Furunde Acrylonitrile Supply Agreement with Furunde.

##### **(i) 2017 Company-Furunde Acrylonitrile Supply Agreement**

###### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	Furunde as seller The Company as purchaser
Subject:	Pursuant to the 2017 Company-Furunde Acrylonitrile Supply Agreement, Furunde has agreed to supply and the Company has agreed to purchase acrylonitrile from Furunde.
Term:	The term of the 2017 Company-Furunde Acrylonitrile Supply Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Company-Furunde Acrylonitrile Supply Agreement shall be renewable by mutual agreement between the Company and Furunde for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).

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## LETTER FROM THE BOARD

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**Price:** Pursuant to the 2017 Company-Furunde Acrylonitrile Supply Agreement, Furunde will sell acrylonitrile to the Company at the prevailing market price of acrylonitrile and the price is to be agreed between the parties from time to time. Since the Company will continue to purchase acrylonitrile from its existing suppliers, the Company will compare the prices offered by Furunde to the prices offered by other Independent Third Party suppliers to ensure the prices offered by Furunde to the Company are fair and reasonable. Furunde undertakes that, for products of comparable quality, the price of acrylonitrile sold to the Company will not be higher than those Furunde sold to Independent Third Parties. The Company shall pay the purchase price in cash for the acrylonitrile purchased from the Company's working capital. The Company shall pay the purchase price upon the acceptance of the acrylonitrile delivered by Furunde after inspection.

**Historical figures:** The actual aggregate amount transacted under the 2016 Acrylonitrile Supply Agreement since the date of the agreement of 25 May 2016 and up to the date of the Announcement was nil.

**Proposed annual caps:** The maximum aggregate annual sales from Furunde to the Company under the 2017 Company-Furunde Acrylonitrile Supply Agreement (the "**2017 Company-Furunde Acrylonitrile Sales Annual Cap**") is estimated not to exceed RMB100 million, RMB100 million and RMB100 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Company-Furunde Acrylic Supply Agreement are determined with reference to, among other things, the historical transaction amounts of acrylonitrile purchased from Independent Third Parties, and the Company's plan to purchase approximately 10% of its annual requirement for acrylonitrile from Furunde.

### (ii) **2017 Jimont-Furunde Acrylonitrile Supply Agreement**

#### *Principal Terms*

**Date of agreement:** 1 September 2016

**Parties:** Furunde as seller  
Jimont as purchaser

**Subject:** Pursuant to the 2017 Jimont-Furunde Acrylonitrile Supply Agreement, Furunde has agreed to supply and Jimont has agreed to purchase acrylonitrile from Furunde.

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## LETTER FROM THE BOARD

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- Term:** The term of the 2017 Jimont-Furunde Acrylonitrile Supply Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the 2017 Jimont-Furunde Acrylonitrile Supply Agreement shall be renewable by mutual agreement between Jimont and Furunde for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
- Price:** Pursuant to the 2017 Jimont-Furunde Acrylonitrile Supply Agreement, Furunde will sell acrylonitrile to Jimont at the prevailing market price of acrylonitrile and the price is to be agreed between the parties from time to time. Since Jimont will continue to purchase acrylonitrile from its existing suppliers, Jimont will compare the prices offered by Furunde to the prices offered by other Independent Third Party suppliers to ensure the prices offered by Furunde to Jimont are fair and reasonable. Furunde undertakes that, for products of comparable quality, the price of acrylonitrile sold to Jimont will not be higher than those Furunde sold to Independent Third Parties. Jimont shall pay the purchase price in cash for the acrylonitrile purchased from its working capital. Jimont shall pay the purchase price upon the acceptance of the acrylonitrile delivered by Furunde after inspection.
- Proposed annual caps:** The maximum aggregate annual sales from Furunde to Jimont under the 2017 Jimont-Furunde Acrylonitrile Supply Agreement the ("**2017 Jimont-Furunde Acrylonitrile Sales Annual Cap**") is estimated not to exceed RMB100 million, RMB100 million and RMB100 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. The annual caps for the 2017 Jimont-Furunde Acrylic Supply Agreement are determined with reference to, among other things, the historical transaction amounts of acrylonitrile purchased from Independent Third Parties, and Jimont's plan to purchase approximately 10% of its annual requirement for acrylonitrile from Furunde. Jimont had not purchased acrylonitrile from Furunde before it entered into the 2017 Jimont-Furunde Acrylonitrile Supply Agreement.

### *Reasons for and benefits of the 2017 Furunde Acrylonitrile Supply Agreements*

Acrylonitrile is the major raw material used in the production of the Group's acrylic fibre products. The Group has been purchasing acrylonitrile directly from China National Petroleum Corporation Jilin Chemical Group Company and other suppliers in the PRC in the past. The Company and Jimont will also purchase acrylonitrile from Furunde to diversify its sources of raw materials to ensure a more stable supply of acrylonitrile because in the event the other major suppliers suspended supply of acrylonitrile for whatever reason, the Company and Jimont will still be able to procure acrylonitrile from Furunde to avoid disruption in its production while it resolves any supply issues with the relevant suppliers, and to further reduce the raw material costs of the Company in the long run as the introduction of Furunde as a supplier will generally enhance the bargaining power of the Group vis-à-vis its acrylonitrile suppliers.

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## LETTER FROM THE BOARD

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The Board (excluding the independent non-executive Directors whose views are set out in the “Letter from The Independent Board Committee”) considers that the terms of each of the 2017 Furunde Acrylonitrile Supply Agreements are fair and reasonable, the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

### **Aggregation**

Taking into account that the 2017 Company-Furunde Acrylonitrile Supply Agreement and the 2017 Jimont-Furunde Acrylonitrile Supply Agreement were entered into by the Company and Jimont with Furunde, respectively, on the same date and are related to the same type of transaction, the Directors consider that it is appropriate to aggregate the transactions under the 2017 Company-Furunde Acrylonitrile Supply Agreement and the 2017 Jimont-Furunde Acrylonitrile Supply Agreement for the purpose of determining the relevant percentage ratios under Chapter 14A of the Listing Rules.

### **Listing Rules Implications**

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the 2017 Furunde Acrylonitrile Supply Agreements on an aggregated basis is expected to be greater than 5% and the annual consideration in respect of such transactions is expected to be greater than HK\$10.0 million.

Accordingly, each of the 2017 Furunde Acrylonitrile Supply Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **5. THE 2017 UTILITIES AND SERVICES PROVISIONS AGREEMENTS**

### **Background**

Reference is made to the announcement of the Company dated 27 September 2013. The Power Station was constructed for the purpose of supporting the operations of the Group and subsidiaries of JCF Groupco. The Power Station has been supplying the Utilities and Water Treatment Services to JCFCL and Aika under the 2013 JCFCL Utilities and Services Provision Agreement and the 2013 Aika Utilities and Services Provision Agreement, respectively. The term of the 2013 JCFCL Utilities and Services Provision Agreement and the 2013 Aika Utilities and Services Provision Agreement will expire on 31 December 2016. On 1 September 2016, the Company entered into the 2017 JCFCL Utilities and Services Provision Agreement and the 2017 Aika Utilities and Services Provision Agreement to continue the supply of the Utilities and Water Treatment Services to JCFCL and Aika. In addition, on the same day, the Company entered into the 2017 Kaimeike Utilities and Services Provision Agreement with Kaimeike for the provision of the Utilities and Water Treatment Services to Kaimeike. The particulars of each of the 2017 Utilities and Services Provision Agreements are set out below:



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## LETTER FROM THE BOARD

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### (i) 2017 JCFCL Utilities and Services Provision Agreement

#### *Principal Terms*

- Date of agreement: 1 September 2016
- Parties: the Company as supplier  
JCFCL as customer
- Subject: Pursuant to the 2017 JCFCL Utilities and Services Provision Agreement, the Company will supply and JCFCL will purchase the Utilities and Water Treatment Services.
- Term: The term of the 2017 JCFCL Utilities and Services Provision Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the term of the 2017 JCFCL Utilities and Services Provision Agreement shall be renewable by mutual agreement between the Company and JCFCL for terms not longer than three years each thereafter, subject to compliance with applicable requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
- Price: Pursuant to the 2017 JCFCL Utilities and Services Provision Agreement, the price payable by JCFCL to the Company for the Utilities and Water Treatment Services shall be determined by reference to the price of similar transactions offered by Independent Third Parties in the Jilin Economic and Technology Development Zone. The price as offered by the Company shall be no less favourable than those offered to Independent Third Parties.
- The Utilities and Water Treatment Services provided by the Company under the 2017 JCFCL Utilities and Services Provision Agreement will be paid by JCFCL on a quarterly basis. The Company is entitled to receive interest from JCFCL on any overdue payment of fees due to the Company under the 2017 JCFCL Utilities and Services Provision Agreement, at a rate not lower than the higher of the prevailing base interest rate published by the People's Bank of China ("PBOC") and the actual interest rate at which the Company borrows from banks.
- Historical figures: The actual aggregate amount transacted under the 2013 JCFCL Utilities and Services Provision Agreement for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately RMB174.6 million, RMB176.7 million and RMB98.6 million, respectively.

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## LETTER FROM THE BOARD

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Other significant terms:	The Utilities and Water Treatment Services to be provided by the Company should meet all manufacturing needs and scale of operation of JCFCL. In the event that the amount of electricity produced by the Company is insufficient to meet the demand from JCFCL, the Company may procure electricity from third parties to cover the shortfall.
Proposed annual caps:	The maximum aggregate annual consideration payable to the Company by JCFCL under the 2017 JCFCL Utilities and Services Provision Agreement (the “ <b>2017 JCFCL Utilities and Services Provision Annual Cap</b> ”) is estimated not to exceed RMB481 million, RMB750 million and RMB750 million, respectively, for each of the three years ending 31 December 2017, 2018 and 2019. The annual caps for the 2017 JCFCL Utilities and Services Provision Agreement as set out above are determined with reference to, among other things, the historical transaction amounts, the production scale of JCFCL and thus the demand for the Utilities and Water Treatment Services by JCFCL.

### (ii) 2017 Aika Utilities and Services Provision Agreement

#### *Principal Terms*

Date of agreement:	1 September 2016
Parties:	the Company as supplier Aika as customer
Subject:	Pursuant to the 2017 Aika Utilities and Services Provision Agreement, the Company will supply and Aika will purchase the Utilities and Water Treatment Services.
Term:	The term of the 2017 Aika Utilities and Services Provision Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the term of the 2017 Aika Utilities and Services Provision Agreement shall be renewable by mutual agreement between the Company and Aika for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders’ approval where applicable).
Price:	Pursuant to the 2017 Aika Utilities and Services Provision Agreement, the price payable by Aika to the Company for the Utilities and Water Treatment Services shall be determined by reference to the price of similar transactions offered by independent third parties in the Jilin Economic and Technology Development Zone. The price as offered by the Company shall be no less favourable than those offered to Independent Third Parties.

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## LETTER FROM THE BOARD

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The Utilities and Water Treatment Services provided by the Company under the 2017 Aika Utilities and Services Provision Agreement will be paid by Aika on a quarterly basis. The Company is entitled to receive interest from Aika on any overdue payment of fees due to the Company under the 2017 Aika Utilities and Services Provision Agreement, at a rate not lower than the higher of the prevailing base interest rate published by the PBOC and the actual interest rate at which the Company borrows from banks.

Historical figures: The actual aggregate amount transacted under the 2013 Aika Utilities and Services Provision Agreement for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately RMB31.8 million, RMB25.8 million and RMB11.1 million, respectively.

Other significant terms: The Utilities and Water Treatment Services to be provided by the Company should meet all manufacturing needs and scale of operation of Aika. In the event that the amount of electricity produced by the Company is insufficient to meet the demand from Aika, the Company may procure electricity from third parties to cover the shortfall.

Proposed annual caps: The maximum aggregate annual consideration payable to the Company by Aika under the 2017 Aika Utilities and Services Provision Agreement (the “**2017 Aika Utilities and Services Provision Annual Cap**”) is estimated not to exceed RMB27 million, RMB46 million and RMB46 million, respectively, for each of the three years ending 31 December 2017, 2018 and 2019. The annual caps for the 2017 Aika Utilities and Services Provision Agreement as set out above are determined with reference to, among other things, the historical transaction amounts and the production scale of Aika and thus the demand for the Utilities and the Water Treatment Services by Aika.

### (iii) 2017 Kaimeike Utilities and Services Provision Agreement

#### *Principal Terms*

Date of agreement: 1 September 2016

Parties: the Company as supplier  
Kaimeike as customer

Subject: Pursuant to the 2017 Kaimeike Utilities and Services Provision Agreement, the Company will supply and Kaimeike will purchase the Utilities and Water Treatment Services.

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## LETTER FROM THE BOARD

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- Term:** The term of the 2017 Kaimeike Utilities and Services Provision Agreement will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and the term of the 2017 Kaimeike Utilities and Services Provision Agreement shall be renewable by mutual agreement between the Company and Kaimeike for terms not longer than three years each thereafter, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, annual review, announcement and Independent Shareholders' approval where applicable).
- Price:** Pursuant to the 2017 Kaimeike Utilities and Services Provision Agreement, the price payable by Kaimeike to the Company for Utilities and Water Treatment Services shall be determined by reference to the price of similar transactions offered by independent third parties in the Jilin Economic and Technology Development Zone. The price as offered by the Company shall be no less favourable than those offered to Independent Third Parties.
- The Utilities and Water Treatment Services provided by the Company under the 2017 Kaimeike Utilities and Services Provision Agreement will be paid by Kaimeike on a quarterly basis. The Company is entitled to receive interest from Kaimeike on any overdue payment of fees due to the Company under the 2017 Kaimeike Utilities and Services Provision Agreement, at a rate not lower than the higher of the prevailing base interest rate published by the PBOC and the actual interest rate at which the Company borrows from banks.
- Other significant terms:** The Utilities and Water Treatment Services to be provided by the Company should meet all manufacturing needs and scale of operation of Kaimeike. In the event that the amount of electricity produced by the Company is insufficient to meet the demand from Kaimeike, the Company may procure electricity from third parties to cover the shortfall.
- Proposed annual caps:** The maximum aggregate annual consideration payable to the Company by Kaimeike under the 2017 Kaimeike Utilities and Services Provision Agreement (the “**2017 Kaimeike Utilities and Services Provision Annual Cap**”) is estimated not to exceed RMB180 million, RMB180 million and RMB180 million, respectively, for each of the three years ending 31 December 2017, 2018 and 2019. The annual caps for the 2017 Kaimeike Utilities and Services Provision Agreement as set out above are determined with reference to, among other things, the production scale of Kaimeike and thus the demand for the Utilities and the Water Treatment Services by Kaimeike.

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## LETTER FROM THE BOARD

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### *Reasons for and benefits of the 2017 Utilities and Services Provision Agreements*

As set out above, the Power Station was constructed for the purpose of supporting the operations of the Group and subsidiaries of JCF Groupco and therefore its capacity exceeds the existing demand for the Utilities and Water Treatment Services of the Group. As the 2013 Utilities and Services Provision Agreements will expire on 31 December 2016, the Company entered into the 2017 Utilities and Services Provision Agreements in order to continue to generate revenue by supplying the Utilities and Water Treatment Services to JCFCL and Aika after 31 December 2016 and to commence supplying the Utilities and Water Treatment Services to Kaimeike.

The Board (excluding the independent non-executive Directors whose views are set out in the “Letter from The Independent Board Committee”) considers that the price of the Utilities and Water Treatment Services payable by JCFCL, Aika and Kaimeike to the Company under the 2017 JCFCL Utilities and Services Provision Agreement, the 2017 Aika Utilities and Services Provision Agreement and the 2017 Kaimeike Utilities and Services Provision Agreement, respectively, are determined on an arm’s length basis and, in line with normal commercial terms, and that the terms and the annual caps of each of the 2017 Utilities and Services Provision Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Aggregation**

In view of the identical nature of transactions under the 2017 JCFCL Utilities and Services Provision Agreement, the 2017 Aika Utilities and Services Provision Agreement and the 2017 Kaimeike Utilities and Services Provision Agreement and the fact that the counterparties thereof are all associates of the controlling shareholder of the Company, JCF Groupco, the Directors considered it appropriate to aggregate the transactions under the 2017 Utilities and Services Provision Agreements for the purpose of determining the classification and requirements in applicable to the continuing connected transactions under the 2017 Utilities and Services Provision Agreements under Chapter 14A of the Listing Rules.

### **Listing Rules Implications**

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the 2017 Utilities and Services Provision Agreements on an aggregated basis is expected to be greater than 5% and the annual consideration in respect of such transactions is expected to be greater than HK\$10.0 million.

Accordingly, each of the 2017 Utilities and Services Provision Agreements and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **INFORMATION ABOUT THE PARTIES**

The Company is principally engaged in the production and sale of carbon fiber products and different type of acrylic fiber products, namely, acrylic top, acrylic tow and acrylic staple fiber.

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## LETTER FROM THE BOARD

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Jimont is principally engaged in the production and sale of acrylic fibre products in the PRC.

Tuopu Textile is principally engaged in the manufacturing of acrylic yarn and viscose yarn in the PRC.

Aika is principally engaged in the production and sales of viscose filament yarns in the PRC.

Furunde (formerly known as 吉林市凱麟貿易有限公司# (Jilin Kailin Trading Co., Ltd.)) is principally engaged in the wholesale and retail sale of chemical products, building materials, textile raw materials, primary agricultural products and textile equipment and parts, and provision of labour services in the PRC.

Kaimeike is principally engaged in the production and research of acetic anhydride.

JCFCL is principally engaged in the production of viscose fibre.

### RELATIONSHIPS BETWEEN THE PARTIES

JCF Groupco, a substantial shareholder of the Company holding approximately 50.01% interest in the Company, is a connected person of the Company.

To the best of the Company's knowledge, as at the Latest Practicable Date, JCFCL is owned as to 14.5% by JCF Groupco and Furunde is owned as to 100% by JCF Groupco. JCF Groupco, which owns 50.01% of the issued share capital of the Company, is the single largest shareholder of JCFCL and the sole shareholder of Furunde. Kaimeike is a subsidiary of JCFCL. Mr. Song Dewu currently serves as the chairman of the Company, JCFCL and JCF Groupco. Mr. Ma Jun and Mr. Jiang Junzhou serve as directors of the Company and JCFCL. Save as above, there is no other overlapping directorship between each of JCFCL, JCF Groupco, Tuopu Textile, Aika, Kaimeike, Furunde and the Company. JCFCL is an associate of JCF Groupco under the Listing Rules because JCFCL constitutes a subsidiary of JCF Groupco. Furunde is a subsidiary of JCF Groupco, and being an associate of JCF Groupco, is also a connected person of the Company under the Listing Rules.

Each of Tuopu Textile and Aika is a subsidiary of JCF Groupco, and hence each of them is a connected person of the Company under the Listing Rules.

Jimont is a joint venture company established in the PRC owned by the Company as to 50%. For the purposes of applying the connected transaction requirements under the Listing Rules, Jimont will be considered as part of the Company. Therefore, transactions between Jimont on the one hand, and connected persons of the Company on the other hand, would constitute connected transactions of the Company. For the purposes of Chapter 14A of the Listing Rules, the relevant percentage ratio tests will be applicable to Jimont as if it was a non-wholly owned subsidiary of the Company.

Accordingly, the transactions under each of the Non-exempt Continuing Connected Transactions Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### C. PRICING POLICY AND INTERNAL CONTROL

In order to ensure that the terms of each of the Non-exempt Continuing Connected Transactions Agreements are not less favourable than those available from Independent Third Parties, the Company and Jimont have adopted the following measures:

1. In accordance with the internal written procedures of the Company for purchase of products, for the purpose of ascertaining the market price of the products, the Company and Jimont will obtain two quotations or invoices from Independent Third Parties suppliers for similar products of comparable quality within 3 months prior to the transaction. The relevant personnel will oversee and regularly review the price as offered to ensure that it is in line with the market price and is not less favourable than those offered by Independent Third Parties suppliers.
2. In accordance with the internal written procedures of the Company for sale of products, the Company and Jimont have set up the process for estimating and approving the selling prices. The personnel from the sales department shall review at least two invoices to Independent Third Parties customers for similar products of comparable quality issued within 3 months prior to the transaction, or otherwise the latest two invoices in the event there is no invoices issued within 3 months prior to the transaction, to ensure that these prices are no less favourable to the Company and Jimont than those offered to, or quoted by, Independent Third Parties customers. The final invoice shall be approved by the sales manager. In particular, the Company has adopted an indicative price range of RMB10,000 to RMB16,000 per ton for Acrylic Fibre Products.
3. The independent non-executive Directors and the auditors of the Company will review the transactions under each of the Non-exempt Continuing Connected Transactions Agreements annually to ensure that each of the Non-exempt Continuing Connected Transactions Agreements are entered into in the ordinary course of business of the Company, and that its terms are fair and reasonable and on normal commercial terms.

Given that (i) the Company and Jimont will review comparable transactions or quotations with Independent Third Parties to ensure the terms of the Non-exempt Continuing Connected Transactions shall be no less favourable than those with Independent Third Parties; (ii) the internal control measures in place, particularly the review of comparable transactions or quotations with Independent Third Parties to ensure the terms of the Non-exempt Continuing Connected Transactions shall be no less favourable than those with Independent Third Parties; (iii) the historical compliance record of the Company and Jimont in the recent years; and (iv) the background of and reasons for the Non-exempt Continuing Connected Transactions, the Directors are of the view that the methods and procedures set out above and the internal control measures for the Non-exempt Continuing Connected Transactions are sufficient to ensure that the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms and not prejudicial to the interests of the Company and its independent Shareholders, including its minority Shareholders.

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## LETTER FROM THE BOARD

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### D. CONDITIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company and Jimont on normal commercial terms and subject to the following conditions under the Listing Rules:

1. The total annual transaction amount in respect of each category of the Non-exempt Continuing Connected Transactions will not exceed the relevant proposed annual caps as follows:
  - (a) in relation to the transactions under the 2017 Company-Tuopu Textile Sales Agreement, the maximum aggregate annual sales from the Company to Tuopu Textile for each of the three financial years ending 31 December 2019 will not exceed RMB32.5 million (equivalent to approximately HK\$37.8 million), RMB32.5 million (equivalent to approximately HK\$37.8 million), and RMB32.5 million (equivalent to approximately HK\$37.8 million), respectively;
  - (b) in relation to the transactions under the 2017 Jimont-Tuopu Textile Sales Agreement, the maximum aggregate annual sales from Jimont to Tuopu Textile for each of the three financial years ending 31 December 2019 will not exceed RMB32.5 million (equivalent to approximately HK\$37.8 million), RMB32.5 million (equivalent to approximately HK\$37.8 million), and RMB32.5 million (equivalent to approximately HK\$37.8 million), respectively;
  - (c) in relation to the transactions under the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement, the maximum aggregate annual sales from the Company to Furunde for each of the three financial years ending 31 December 2019 will not exceed RMB100 million (equivalent to approximately HK\$116.3 million), RMB100 million (equivalent to approximately HK\$116.3 million), and RMB100 million (equivalent to approximately HK\$116.3 million), respectively;
  - (d) in relation to the transactions under the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement, the maximum aggregate annual sales from Jimont to Furunde for each of the three financial years ending 31 December 2019 will not exceed RMB100 million (equivalent to approximately HK\$116.3 million), RMB100 million (equivalent to approximately HK\$116.3 million), and RMB100 million (equivalent to approximately HK\$116.3 million), respectively;
  - (e) in relation to the transactions under the 2013 Company-Furunde Acrylic Fibre Products Sales Agreement, the 2013 Company-Furunde Acrylic Fibre Products Sales Revised Annual Cap, being the maximum aggregate annual sales from the Company to Furunde for the financial year ending 31 December 2016, will not exceed RMB50 million (equivalent to HK\$58.1 million);
  - (f) in relation to the transactions under the 2013 Jimont-Furunde Acrylic Fibre Products Sales Agreement, the 2013 Jimont-Furunde Acrylic Fibre Products Sales Revised Annual Cap, being the maximum aggregate annual sales from Jimont to Furunde for the financial year ending 31 December 2016, will not exceed RMB50 million (equivalent to HK\$58.1 million);



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## LETTER FROM THE BOARD

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- (g) in relation to the transactions under the 2017 Company-JCF Import Export Sales Agreement, the maximum aggregate annual sales from the Company to JCF Group Import Export for each of the three financial years ending 31 December 2019 will not exceed RMB130 million (equivalent to approximately HK\$151.2 million), RMB130 million (equivalent to approximately HK\$151.2 million), and RMB130 million (equivalent to approximately HK\$151.2 million), respectively;
- (h) in relation to the transactions under the 2017 Jimont-JCF Import Export Sales Agreement, the maximum aggregate annual sales from Jimont to JCF Group Import Export for each of the three financial years ending 31 December 2019 will not exceed RMB520 million (equivalent to approximately HK\$604.7 million), RMB520 million (equivalent to approximately HK\$604.7 million), and RMB520 million (equivalent to approximately HK\$604.7 million), respectively;
- (i) in relation to the transactions under the 2014 Jimont-JCF Import Export Sales Agreement, the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap, being the maximum aggregate annual sales from Jimont to JCF Group Import Export for the financial year ending 31 December 2016, will not exceed RMB500 million (equivalent to HK\$581 million);
- (j) in relation to the transactions under the 2017 Company-Furunde Acrylonitrile Supply Agreement, the maximum aggregate annual sales from Furunde to the Company for each of the three financial years ending 31 December 2019 will not exceed RMB100 million (equivalent to approximately HK\$116.3 million), RMB100 million (equivalent to approximately HK\$116.3 million), and RMB100 million (equivalent to approximately HK\$116.3 million), respectively;
- (k) in relation to the transactions under the 2017 Jimont-Furunde Acrylonitrile Supply Agreement, the maximum aggregate annual sales from Furunde to Jimont for each of the three financial years ending 31 December 2019 will not exceed RMB100 million (equivalent to approximately HK\$116.3 million), RMB100 million (equivalent to approximately HK\$116.3 million), and RMB100 million (equivalent to approximately HK\$116.3 million), respectively;
- (l) in relation to the transactions under the 2017 JCFCL Utilities and Services Provision Agreement, the maximum aggregate annual consideration payable by JCFCL to the Company for each of the three financial years ending 31 December 2019 will not exceed RMB481 million (equivalent to approximately HK\$559.3 million), RMB750 million (equivalent to approximately HK\$872.1 million), and RMB750 million (equivalent to approximately HK\$872.1 million), respectively;
- (m) in relation to the transactions under the 2017 Aika Utilities and Services Provision Agreement, the maximum aggregate annual consideration payable by Aika to the Company for each of the three financial years ending 31 December 2019 will not exceed RMB27 million (equivalent to approximately HK\$31.4 million), RMB46 million (equivalent to approximately HK\$53.5 million), and RMB46 million (equivalent to approximately HK\$53.5 million), respectively; and

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## LETTER FROM THE BOARD

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- (n) in relation to the transactions under the 2017 Kaimeike Utilities and Services Provision Agreement, the maximum aggregate annual consideration payable by Kaimeike to the Company for each of the three financial years ending 31 December 2019 will not exceed RMB180 million (equivalent to approximately HK\$209.3 million), RMB180 million (equivalent to approximately HK\$209.3 million), and RMB180 million (equivalent to approximately HK\$209.3 million), respectively.
2. The Company will comply with Rules 14A.49 to 14A.59 of the Listing Rules in respect of the transactions contemplated under the Non-exempt Continuing Connected Transactions Agreements.

### EGM AND SHAREHOLDERS' APPROVAL

A notice convening the extraordinary general meeting to be held at the meeting room of 6th Floor, No. 516-1, Jiuzhan Street, Jilin City, Jilin Province, the People's Republic of China on Tuesday, 29 November 2016 at 9 a.m. to approve each of the Non-exempt Continuing Connected Transactions is set out on pages 56 to 61 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the H Shares registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in respect of H Shares), or to the Company's registered office in the PRC at Block 4, Zone D, Hengshan West Road, Jilin New and High Technology Development Zone, Jilin City, Jilin Province, the PRC (in respect of Domestic Shares and Non-H Foreign Shares) as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The relevant interested Shareholders and their respective associates will abstain from voting on the resolutions approving the 2017 Tuopu Textile Sales Agreement, the 2017 Furunde Sales Agreements, the 2017 JCF Import Export Sales Agreements, the 2017 Furunde Acrylonitrile Supply Agreements and the 2017 Utilities and Services Provision Agreements, the transactions thereunder and their respective proposed annual caps, the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap at the EGM.

Specifically, Tuopu Textile, its ultimate beneficial owners and their respective Associates (including JCF Groupco) will abstain from voting on the 2017 Tuopu Textile Sales Agreements; Furunde, its ultimate beneficial owners and their respective Associates (including JCF Groupco) will abstain from voting on the 2017 Furunde Sales Agreements, the 2017 Furunde Acrylonitrile Supply Agreements and the 2013 Furunde Sales Agreements Revised Caps; JCF Import Export, its ultimate beneficial owners and their respective Associates (including JCF Groupco) will abstain from voting on the 2017 JCF Import Export Sales Agreements and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap; JCFCL, its ultimate beneficial owners and their respective Associates (including JCF Groupco) will abstain from voting on the 2017 JCFCL Utilities and Services Provision Agreement; Aika, its ultimate beneficial owners and their respective Associates (including JCF Groupco) will abstain from voting on the 2017 Aika Utilities and Services Provision Agreement; and Kaimeike, its ultimate beneficial owners and their respective Associates (including JCFCL) will

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## LETTER FROM THE BOARD

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abstain from voting on the 2017 Kaimeike Utilities and Services Provision Agreement. As at the Latest Practicable Date, none of the abovementioned parties, other than JCF Groupco, owned any shares in the Company. JCF Groupco owned 433,229,558 Domestic Shares and will abstain from voting on all of the resolutions at the EGM.

Although there are overlapping directorships between the Company, JCFCL and JCF Groupco, as (i) none of the Directors who also hold directorships at JCF Groupco or JCFCL, namely, Mr. Song Dewu, Mr. Ma Jun and Mr. Jiang Junzhou, is interested in the equity of such counterparties; and (ii) the remuneration of such directors do not depend on any aspects or effects of any of the Non-exempt Continuing Connected Transactions or otherwise are personally interested in any of the Non-exempt Continuing Connected Transactions, no Director has a material interest in any of the Non-exempt Continuing Connected Transactions, and none of the Directors has abstained from voting on the relevant board resolutions approving the Non-exempt Continuing Connected Transactions.

### RECOMMENDATION

#### Non-exempt Continuing Connected Transactions

The Board is of the opinion that the terms contemplated under each of the Non-exempt Continuing Connected Transactions Agreements, the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap, which have been negotiated on an arms' length basis, are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, the composition of which is the same as the connected transactions committee of the Directors, comprising Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo and Ms. Zhu Ping, has been formed to advise the Independent Shareholders and First Shanghai Capital Limited has been appointed as the independent financial adviser to advise both the independent board committee and the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the respective proposed annual caps and revised annual caps.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 35 to 36 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from First Shanghai as set out on pages 37 to 50 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to each of the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the respective proposed annual caps.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice and recommendation of First Shanghai, is of the view that the Non-exempt Continuing Connected Transactions Agreements are on normal commercial terms or better, in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and the terms of the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the respective proposed annual caps.

*Unless otherwise defined, an exchange rate of HK\$1.00 = RMB0.86 is adopted in this letter, for illustration purposes only.*

Yours faithfully,  
For and on behalf of the Board of  
**Jilin Qifeng Chemical Fiber Co., Ltd.\***  
**Song Dewu**  
*Director*

\* *The company is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) under the English name "Jilin Qifeng Chemical Fiber Co., Ltd."*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**吉林奇峰化纖股份有限公司**  
**JILIN QIFENG CHEMICAL FIBER CO., LTD.\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 549)**

12 October 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

We refer to the circular dated 12 October 2016 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a Shareholder whether in the views of the Independent Board Committee the terms of the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise Shareholders on how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 34 of the Circular and the letter from First Shanghai as set out on pages 37 to 50 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the respective proposed annual caps with the principal factors and reasons for its advice and recommendation.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taken into account the advice and recommendation of First Shanghai, we are of the view that the Non-exempt Continuing Connected Transactions Agreements are on normal commercial terms or better, in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and the terms of the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions Agreements, the Non-exempt Continuing Connected Transactions and the respective proposed annual caps.

Yours faithfully,

For and on behalf of

**the Independent Board Committee of  
Jilin Qifeng Chemical Fiber Co., Ltd.**

**Li Yanxi      Jin Jie      Lv Xiaobo      Zhu Ping**  
*Independent non-executive Directors*

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## LETTER FROM FIRST SHANGHAI

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*The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2017 Tuopu Textile Sales Agreement, the 2017 Furunde Sales Agreements, the 2017 JCF Import Export Sales Agreements, the 2017 Furunde Acrylonitrile Supply Agreements and the 2017 Utilities and Services Provision Agreements, the transactions contemplated thereunder and the relevant annual caps, for inclusion in this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

12 October 2016

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the 2017 Tuopu Textile Sales Agreement, the 2017 Furunde Sales Agreements, the 2017 JCF Import Export Sales Agreements, the 2017 Furunde Acrylonitrile Supply Agreements and the 2017 Utilities and Services Provision Agreements (collectively, the “**Agreements**”), the transactions contemplated thereunder (collectively, the “**Transactions**”) and the relevant annual caps (together with the 2013 Furunde Sales Agreements Revised Caps and the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap, the “**Caps**”), details of which are set out in the circular of the Company to the Shareholders dated 12 October 2016 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 September 2016, the Company and Jimont (a joint venture owned as to 50% by the Company) entered into the Agreements with several counterparties, namely Tuopu Textile, Furunde, JCF Group Import Export, JCFCL, Aika and Kaimeike (collectively, the “**Counterparties**”).

JCF Groupco is a controlling shareholder of the Company. With reference to the letter from the Board in the Circular, each of the Counterparties is or constitutes a direct or indirect subsidiary of JCF Groupco. Accordingly, the Transactions constitute continuing connected transactions for the Company which are subject to, among other requirements, approval by the Independent Shareholders at the EGM.

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## LETTER FROM FIRST SHANGHAI

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The Independent Board Committee, the composition of which is the same as the connected transactions committee of the Directors, comprising all of the independent non-executive Directors, namely Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo and Ms. Zhu Ping, has been established to advise the Independent Shareholders in respect of the Transactions and the Caps. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Within the past two years, apart from the current engagement in respect of the Transactions and the Caps, we had been engaged as independent financial adviser by the Company for certain continuing connected transactions as detailed in the circular of the Company dated 21 July 2014. Given (i) our independent role in this previous engagement; and (ii) our fees for this previous engagement represented an insignificant percentage of the revenue of our parent group, we consider this previous engagement would not affect our independence to form our opinion in respect of the Transactions and the Caps.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Company, Jimont and other parties to the Transactions.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion on the Transactions and the Caps, we have taken into account the following principal factors and reasons:-

#### **1. Background of and reasons for the Transactions**

The Company is principally engaged in the production and sale of different type of Acrylic Fiber Products, namely, acrylic top, acrylic tow and acrylic staple fiber. Jimont (a joint venture owned as to 50% by the Company) is principally engaged in the production and sale of Acrylic Fibre Products in the PRC.



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## LETTER FROM FIRST SHANGHAI

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On 1 September 2016, the Company and Jimont (a joint venture owned as to 50% by the Company) entered into the Agreements with the Counterparties as follows:-

	Party	Counterparty	Nature (from the perspective of the Company/Jimont)
<b>(A) 2017 Tuopu Textile Sales Agreements</b>			
2017 Company-Tuopu Textile Sales Agreement	Company	Tuopu Textile	Sell Acrylic Fibre Products
2017 Jimont-Tuopu Textile Sales Agreement	Jimont	Tuopu Textile	Sell Acrylic Fibre Products
<b>(B) 2017 Furunde Sales Agreements</b>			
2017 Company-Furunde Acrylic Fibre Products Sales Agreement	Company	Furunde	Sell Acrylic Fibre Products
2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement	Jimont	Furunde	Sell Acrylic Fibre Products
<b>(C) 2017 JCF Import Export Sales Agreements</b>			
2017 Company-JCF Import Export Sales Agreement	Company	JCF Group Import Export	Sell Acrylic Fibre Products
2017 Jimont-JCF Import Export Sales Agreement	Jimont	JCF Group Import Export	Sell Acrylic Fibre Products
<b>(D) 2017 Furunde Acrylonitrile Supply Agreements</b>			
2017 Company-Furunde Acrylonitrile Supply Agreement	Company	Furunde	Procure acrylonitrile
2017 Jimont-Furunde Acrylonitrile Supply Agreement	Jimont	Furunde	Procure acrylonitrile
<b>(E) 2017 Utilities and Services Provision Agreements</b>			
2017 JCFCL Utilities and Services Provision Agreement	Company	JCFCL	Supply utilites
2017 Aika Utilities and Services Provision Agreement	Company	Aika	Supply utilites
2017 Kaimeike Utilities and Services Provision Agreement	Company	Kaimeike	Supply utilites

Acrylic Fibre Products as a whole is a principal product of the Company. The Company and Jimont have been selling and are expected to continue to sell Acrylic Fibre Products to Tuopu Textile, Furunde and JCF Group Import Export. Nonetheless, the existing framework sales agreements with Tuopu Textile, Furunde and JCF Group Import Export will expire on 31 December 2016. Therefore, the Company and Jimont have entered into the 2017 Tuopu Textile Sales Agreements with Tuopu Textile, the 2017 Furunde Sales Agreements with Furunde and the 2017 JCF Import Export Sales Agreements with JCF Group Import Export to govern such sales for each of the years ending 31 December 2017, 2018 and 2019.

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## LETTER FROM FIRST SHANGHAI

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Acrylonitrile is a raw material used in the production of the Acrylic Fibre Products of the Group. The Group has been purchasing acrylonitrile directly from China National Petroleum Corporation Jilin Chemical Group Company (中國石油吉化集團公司) and other suppliers in the PRC in the past. The Company and Jimont are expected to commence purchasing acrylonitrile from Furunde to diversify their source of raw materials to ensure a more stable supply of acrylonitrile and to possibly reduce raw material costs. Therefore, the Company and Jimont have entered into the 2017 Furunde Acrylonitrile Supply Agreements with Furunde to govern such procurements for each of the years ending 31 December 2017, 2018 and 2019.

The Company owns the Power Station, which was constructed for the purpose of supporting the operations of the Group and the subsidiaries of JCF Groupco. The Company (i) has been supplying and is expected to continue to supply the Utilities and Water Treatment Services to JCFCL and Aika; and (ii) is expected to commence supplying the Utilities and Water Treatment Services to Kaimeike. Nonetheless, the existing framework provision agreements with JCFCL and Aika will expire on 31 December 2016. Therefore, the Company has entered into the 2017 Utilities and Services Provision Agreements with JCFCL, Aika and Kaimeike to govern such supply of the Utilities and Water Treatment Services for each of the years ending 31 December 2017, 2018 and 2019.

We understand the aforementioned framework agreements provide the option but not the obligation to the Company and Jimont to, where applicable, (i) sell Acrylic Fibre Products to; (ii) procure acrylonitrile from; or (iii) supply the Utilities and Water Treatment Services to the Counterparties on terms no less favourable than those with independent third parties.

Taking into account the above factors, in particular, (i) the sales of the Acrylic Fibre Products and the supply of the Utilities and Water Treatment Services are of revenue nature to the Company and Jimont; (ii) the purchase of acrylonitrile, which is a raw material used by the Group, from Furunde can diversify the sources of raw materials to ensure a more stable supply of acrylonitrile and may reduce the raw material costs of the Group; and (iii) the terms of the Transactions are fair and reasonable as discussed below, we are of the view that the entering into of the Transactions is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM FIRST SHANGHAI

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### 2. Principal terms of the Transactions

The term of the Agreements will commence on 1 January 2017 and will end on 31 December 2019 (both dates inclusive) and are, subject to among other requirements, approval by the Independent Shareholders at the EGM. The principal pricing and payment terms of the Agreements are set out in the following table.

	<b>Pricing term</b>	<b>Payment term</b>
<b>(A) 2017 Tuopu Textile Sales Agreements</b>	No less favourable than those offered to Independent Third Parties for products of a similar type	Within three months after receipt and due inspection of the goods
<b>(B) 2017 Furunde Sales Agreements</b>	No less favourable than those offered to Independent Third Parties for products of a similar type	Within three months upon issuance of invoice
<b>(C) 2017 JCF Import Export Sales Agreements</b>	Not lower than the prevailing market prices for the relevant products	Within 90 days after receipt and due inspection of the products
<b>(D) 2017 Furunde Acrylonitrile Supply Agreements</b>	Not higher than the price with Independent Third Parties	Upon acceptance of acrylonitrile delivered after inspection
<b>(E) 2017 Utilities and Services Provision Agreements</b>	No less favourable than those offered to Independent Third Parties	On a quarterly basis

We are advised by the management of the Group that the pricing terms under the Agreements shall be based on market price, which means the prices under the Transactions shall be no less favourable to the Group than those compared with Independent Third Parties.

In respect of the internal control measures for the Transactions, we are advised by the management of the Group that the Company and Jimont will in general (i) review at least two comparable transactions with independent third party; and (ii) ensure the terms of the Transactions shall be no less favourable than those with Independent Third Parties. In addition, pursuant to Chapter 14A of the Listing Rules, (i) the independent non-executive Directors will review the Transactions to confirm, among other things, the terms of the Transaction are on normal commercial terms or better on an annual basis; and (ii) the auditors will also report on the Transactions on an annual basis.

In respect of our work done on the pricing terms of the Transactions, we have reviewed at least two sets of sample documents in connection with each category of the Transactions recently carried

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## LETTER FROM FIRST SHANGHAI

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out (other than the 2017 Furunde Acrylonitrile Supply Agreements and the 2017 Kaimeike Utilities and Services Provision Agreement given no historical transaction took place in the recent years as advised by the management of the Group). We understand that these historical transactions in the reviewed samples have adopted the aforementioned pricing bases, where their terms were no less favourable than those with independent third parties. For instance, based on our review and advices by the management of the Group, we understand from the reviewed sample documents that (i) the unit prices of Acrylic Fibre Products sold to Tuopu Textile, Furunde and JCF Group Import Export were no less favourable to the Group than those with Independent Third Parties; and (ii) the unit prices of steam and electricity sold to JCFCL and Aika were no less favourable to the Group than those with Independent Third Parties.

In respect of our work done on the payment terms of the Transactions, (i) we have reviewed the latest annual report of the Company and we note that approximately 41% of the trade receivables of the Group were aged between 0 to 30 days and approximately 44% of the trade receivables of the Group were aged between 31 to 90 days; (ii) we have also reviewed sample sales agreements of the Group with independent third parties, which we understand the credit period of three months for sales to the Counterparties is no less favourable to the Group than those with independent third parties, for instance the sales by the Group to such independent third parties have credit periods of 90 days; and (iii) we have further reviewed sample procurement agreements with independent third parties for the procurement of acrylonitrile by the Group, which we understand to make payment upon delivery for procurement from Furunde is no less favourable to the Group than those with independent third parties, for instance the independent third parties also required the Group to make payment upon delivery for the procurement of acrylonitrile. Based on the aforesaid, we consider the payment terms of the Transactions to be acceptable.

Moreover, we have reviewed the two most recent annual reports of the Company and we note that, in accordance with Chapter 14A of the Listing Rules, (i) the auditors had issued letters containing the findings and unqualified conclusions in respect of the relevant continuing connected transactions of the Company and Jimont; and (ii) the independent non-executive Directors had confirmed that the relevant continuing connected transactions of the Company and Jimont had been entered into, among other things, on normal commercial terms or on terms no less favourable to the Company and Jimont than with independent third parties for each of the years ended 31 December 2014 and 2015.

Taking to account, in particular, (i) the Company and Jimont will review comparable transactions with independent third parties to ensure the terms of the Transactions shall be no less favourable than those with independent third parties; (ii) the internal control measures in place, particularly the review of comparable transactions with independent third parties to ensure the terms of the Transactions shall be no less favourable than those with independent third parties; (iii) the historical compliance record of the Company and Jimont in the recent years; and (iv) the background of and reasons for the Transactions previously discussed, we are of the view that the internal control measures for the Transactions are sufficient and the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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**3. The Caps**

The following table sets out (i) the historical actual transaction amounts for the year ended 31 December 2015 and for the six months ended 30 June 2016 (the “**Historical Period**”) as advised by the management of the Group; and (ii) the Caps for each of the years ending 31 December 2016, 2017, 2018 and 2019, where applicable, in respect of the Transactions:-

	<b>Historical actual transaction amounts</b>		<b>The Caps</b>			
	<b>For the year ended</b>	<b>For the six months ended</b>	<b>For the year ending</b>			
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>			
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
<b>(A) 2017 Tuopu Textile Sales Agreements</b>						
2017 Company-Tuopu Textile Sales Agreement	3.0	—		32.5	32.5	32.5
2017 Jimont-Tuopu Textile Sales Agreement	—	3.6		32.5	32.5	32.5
	<u>3.0</u>	<u>3.6</u>		<u>65.0</u>	<u>65.0</u>	<u>65.0</u>
<b>(B) 2017 Furunde Sales Agreements</b>						
2017 Company-Furunde Acrylic Fibre Products Sales Agreement	8.5	1.5	50.0	100.0	100.0	100.0
2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement	7.2	4.0	50.0	100.0	100.0	100.0
	<u>15.7</u>	<u>5.5</u>	<u>100.0</u>	<u>200.0</u>	<u>200.0</u>	<u>200.0</u>
<b>(C) 2017 JCF Import Export Sales Agreements</b>						
2017 Company-JCF Import Export Sales Agreement	45.7	28.9	— <sup>(1)</sup>	130.0	130.0	130.0
2017 Jimont-JCF Import Export Sales Agreement	107.4	184.0	500.0 <sup>(2)</sup>	520.0	520.0	520.0
	<u>153.1</u>	<u>212.9</u>		<u>650.0</u>	<u>650.0</u>	<u>650.0</u>

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	<b>Historical actual transaction amounts</b>		<b>The Caps</b>			
	<b>For the year ended</b>	<b>For the six months ended</b>	<b>For the year ending</b>			
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>			
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
<b>(D) 2017 Furunde Acrylonitrile Supply Agreements</b>						
2017 Company-Furunde Acrylonitrile Supply Agreement						
—	—	100.0	100.0	100.0		
2017 Jimont-Furunde Acrylonitrile Supply Agreement						
—	—	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
		200.0	200.0	200.0		
<b>(E) 2017 Utilities and Services Provision Agreements</b>						
2017 JCFCL Utilities and Services Provision Agreement						
176.7	98.6	481.0	750.0	750.0		
2017 Aika Utilities and Services Provision Agreement						
25.8	11.1	27.0	46.0	46.0		
2017 Kaimeike Utilities and Services Provision Agreement						
<u>—</u>	<u>—</u>	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>		
202.5	109.7	688.0	976.0	976.0		

*Notes:*

- (1) The existing approved annual cap is RMB180 million.
- (2) The existing approved annual cap is RMB270 million

**(A) 2017 Tuopu Textile Sales Agreements**

We are advised by the management of the Group that Tuopu Textile has established new factory facilities in the PRC (the “**New Facilities**”) which will soon have further demand of the Acrylic Fibre Products from the Company and Jimont as raw materials.

We have reviewed the calculation of the Caps for the 2017 Tuopu Textile Sales Agreements of RMB65 million, which are based on (i) the price of the Acrylic Fibre Products of RMB13,000 per ton (the “**Prevailing Price**”); and (ii) the expected volume demand from the New Facilities of 5,000 tons of Acrylic Fibre Products per annum. In respect of the Prevailing Price, we have reviewed (i) sample transactions of the Group in respect of the sales of the Acrylic Fibre Products recently took place in

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late August 2016 and we note that the Prevailing Price is in line with the unit prices of such recent transactions; and (ii) the latest annual reports of the Company, where we note that the average unit selling price of the Acrylic Fibre Products was approximately RMB12,962 per ton for the year ended 31 December 2015. Therefore, we consider the Prevailing Price, which reflects the latest price of the Acrylic Fibre Products and is comparable with the average unit selling price level for the latest financial year, to be acceptable for the purpose of determining the Caps. We have also reviewed the letter issued by Tuopu Textile to the Company in respect of (i) its aforesaid expected volume demand for the Acrylic Fibre Products by the New Facilities; and (ii) its expected procurement of 50% of the volume demand of the Acrylic Fibre Products from the Company and the other 50% from Jimont. Moreover, we note that the aggregate historical actual transaction amount for the Historical Period was roughly evenly distributed between the Company and Jimont. Therefore, we consider the expected demand of 5,000 tons evenly distributed between the Company and Jimont to be acceptable for the purpose of determining the Caps.

Taking into account, in particular, (i) the Caps are calculated based on the expected volume demand and the Prevailing Price; (ii) the expected volume demand reflects the demand for the Acrylic Fibre Products by the New Facilities; (iii) the Prevailing Price reflects the latest price of the Acrylic Fibre Products; and (iv) the sales of the Acrylic Fibre Products to Tuopu Textile are of revenue nature and on terms that are fair and reasonable as previously discussed, we are of the view that the Caps for the 2017 Tuopu Textile Sales Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

### **(B) 2017 Furunde Sales Agreements**

We are advised by the management of the Group that (i) Furunde procures the Acrylic Fibre Products from the Company and Jimont for its onward sales to its independent customers; and (ii) the Caps for the 2017 Furunde Sales Agreements have made reference to the volume demand stipulated under the letters of intent issued to Furunde by the independent customers of Furunde (the “**Letters of Intent**”).

We have reviewed the Letters of Intent and, based on the advices from the management of the Group, we understand (i) each of the Letters of Intent was entered into between Furunde and an independent customer of Furunde; (ii) the Letters of Intent state the volume of Acrylic Fibre Products intended to be purchased by the independent customers for the year ending 31 December 2016, where the unit price shall be based on the then market price; (iii) the aggregate procurement volume of Acrylic Fibre Products under the Letters of Intent amounted to 15,200 tons (the “**Total Intended Volume**”) for the year ending 31 December 2016; and (iv) Furunde would procure the Acrylic Fibre Products from the Company and/or Jimont for onward sales to the independent customers.

We are further advised by the management of the Group that, based on latest discussion between Furunde and its independent customers, (i) several customers are not likely to meet the total intended volume of orders stated in the Letters of Intent this year, but such intended volume may be reached in the upcoming years; and (ii) after taking into account the aforesaid factor, the aggregate volume of orders from these independent customers for the year ending 31 December 2016 is expected to be approximately 50% of the Total Intended Volume. Accordingly, (i) the aggregate annual cap of the 2017 Furunde Sales Agreements for the year ending 31 December 2016 is 50% of the Total Intended

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Volume multiplied by the Prevailing Price; and (ii) the aggregate annual cap of the 2017 Furunde Sales Agreements for each of the years ending 31 December 2017, 2018 and 2019 is 100% of the Total Intended Volume multiplied by the Prevailing Price. Moreover, the aggregate annual cap of the 2017 Furunde Sales Agreements is expected to be equally distributed between the Company and Jimont.

We have reviewed the calculations of the Caps of the 2017 Furunde Sales Agreements, where we note that the calculations are in line with the aforesaid basis. We have also reviewed the historical transaction amounts related to the 2017 Furunde Sales Agreements, where we note that the aggregate historical actual transaction amount for the Historical Period was roughly evenly distributed between the Company and Jimont.

Taking into account, in particular, (i) the Caps are based on volumes stated in the Letters of Intent and the Prevailing Price; (ii) the volumes adopted in the calculation of the Caps have taken into account the latest discussion with independent customers; (iii) our previous discussion on the Prevailing Price; and (iv) the sales of the Acrylic Fibre Products to Furunde are of revenue nature and on terms that are fair and reasonable as previously discussed, we are of the view that the Caps for the 2017 Furunde Sales Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

### *(C) 2017 JCF Import Export Sales Agreements*

#### *(i) For the year ending 31 December 2016*

In respect of the 2017 Jimont-JCF Import Export Sales Agreement, (i) the historical transaction amount for the six months ended 30 June 2016 was approximately RMB184 million and, on a pro rata basis assuming without further growth, such amount would be approximately RMB368 million for the year ending 31 December 2016; (ii) the existing approved annual cap for the year ending 31 December 2016 is RMB270 million and such cap is expected to be insufficient; and (iii) the revised Cap of RMB500 million is proposed for the year ending 31 December 2016. We note that (i) the monthly average transaction amount for the six months ended 30 June 2016 was approximately RMB31 million, whereas the monthly average transaction amount for the year ended 31 December 2015 was approximately RMB9 million, representing a growth of over 240%; and (ii) based on the difference between the Cap of RMB500 million and the historical transaction amount for the six months ended 30 June 2016 of approximately RMB184 million, the implied monthly average transaction amount for the six months ending 31 December 2016 is approximately RMB53 million (the “**Implied Monthly Amount**”). In view of the recent scale and the recent growth of the transaction amount, we consider the Implied Monthly Amount to be acceptable for the purpose of determining the revised Cap.

Taking into account, in particular, (i) our analysis above; and (ii) the sales of the Acrylic Fibre Products to JCF Group Import Export are of revenue nature and on terms that are fair and reasonable as previously discussed, we are of the view that the Cap for the 2017 JCF Jimont-JCF Import Export Sales Agreement for the year ending 31 December 2016 is fair and reasonable so far as the Independent Shareholders are concerned.



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(ii) *For each of the years ending 31 December 2017, 2018 and 2019*

We are advised by the management of the Group that the Caps for the 2017 JCF Import Export Sales Agreements for each of the years ending 31 December 2017, 2018 and 2019 have made reference to the historical actual volume of Acrylic Fibre Products procured by JCF Group Import Export from the Company and Jimont and Independent Third Parties in aggregate (the “**Aggregate Procurement Volume**”) for the recent periods, which are set out in the following table:

	For the six months ended		
	30 June 2015	31 December 2015	30 June 2016
Aggregate Procurement Volume (tons)	6,582	6,714	21,573

We are also advised by the management of the Group that the Caps of the 2017 JCF Import Export Sales Agreements for each of the years ending 31 December 2017, 2018 and 2019 of RMB650 million per year are calculated based on (i) the expected demand of 50,000 tons of Acrylic Fibre Products per annum for each of the years ending 31 December 2017, 2018 and 2019, where Qifeng would be responsible for 10,000 tons and Jimont would be responsible for 40,000 tons each year; and (ii) the Prevailing Price of RMB13,000 per ton.

We have reviewed a letter issued by JCF Group Import Export to the Company and Jimont dated September 2016 (the “**Notification Letter**”), which states that (i) based on the business experiences established with the Company and Jimont, JCF Group Import Export intends to have the Company and Jimont as the first choice of suppliers to procure Acrylic Fibre Products in the future; and (ii) JCF Group Import Export intends to procure from the Company and Jimont at a ratio of one to four.

We have also reviewed the historical aggregate procurement volume of JCF Group Import Export and we note that (i) the actual procurement volume for the six months ended 30 June 2016 was approximately 21,573 tons, representing a year on year growth of approximately 228%; and (ii) on a simple pro rata basis, being the actual procurement volume for the six months ended 30 June 2016 multiplied by two, the procurement volume for the year ending 31 December 2016 is approximately 42,996 ton. Despite the Notification Letter did not specifically state the expected volume demand, having considered (i) the Notification Letter states that JCF Group Import Export intends to have the Company and Jimont as the first choice of suppliers to procure Acrylic Fibre Products in the future; (ii) the scale of the procurement volume of JCF Group Import Export for the six months ended 30 June 2016; and (iii) the growth of the procurement volume of JCF Group Import Export for the six months ended 30 June 2016, we consider the assumption of the expected demand of 50,000 tons per annum to be acceptable for the purpose of determining the Caps for each of the years ending 31 December 2017, 2018 and 2019.

We have further reviewed the aggregate historical actual transaction amount relevant to the 2017 JCF Import Export Sales Agreements for the Historical Period, where we note that the transaction amount for the Company and Jimont was roughly one to four. We are advised by the management of the Group that the reason behind the split ratio is that the sales team of Jimont has established closer business relationship with JCF Group Import Export. Having considered (i) the split ratio in respect

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of the historical actual transaction amount for the Historical Period; and (ii) the Notification Letter states that JCF Group Import Export intends to procure from the Company and Jimont at a ratio of one to four, we consider the assumption of ratio of one to four in respect of the transaction amount of the Company and Jimont to be acceptable for the purpose of determining the Caps for each of the years ending 31 December 2017, 2018 and 2019.

Taking into account, in particular, (i) the Caps are based on the expected volume demand and the Prevailing Price; (ii) JCF Group Import Export intends to have the Company and Jimont as the first choice to procure Acrylic Fibre Products in the future; (iii) the expected volume demand has made reference to the Aggregate Procurement Volume; (iv) the recent scale and the recent growth of the Aggregate Procurement Volume; (v) our previous discussion on the Prevailing Price; and (vi) the sales of the Acrylic Fibre Products to JCF Group Import Export are of revenue nature and on terms that are fair and reasonable as previously discussed, we are of the view that the Caps for the 2017 JCF Import Export Sales Agreements for each of the years ending 31 December 2017, 2018 and 2019 are fair and reasonable so far as the Independent Shareholders are concerned.

### (D) *2017 Furunde Acrylonitrile Supply Agreements*

We are advised by the management of the Group that the Caps for the 2017 Furunde Acrylonitrile Supply Agreements have made reference to the historical procurement amounts of acrylonitrile by the Company and Jimont from independent third parties (the “**Acrylonitrile Procurement Amount**”), which are set out in the following table:

<i>Acrylonitrile procured by:</i>	<b>For the year ended</b>		<b>For the six months ended</b>	
	<b>31 December</b>		<b>30 June</b>	
	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
<ul style="list-style-type: none"> <li>• the Company</li> <li>• Jimont</li> </ul>	1,305	984	550	506
	1,127	810	440	486
	2,432	1,794	990	992

With reference to the above table, (i) the average amount of acrylonitrile required by the Company and Jimont in total is around RMB2,000 million each year; and (ii) the amount required by the Company and Jimont is quite even.

We are advised by the management of the Group that (i) the Company and Jimont wish to diversify their sources of raw materials to ensure a more stable supply of acrylonitrile and to reduce raw material costs; and (ii) the Company and Jimont expects to procure around 10% of acrylonitrile from Furunde.

We have reviewed the calculation of the Caps of RMB200 million per year, which are based on (i) the aforementioned yearly demand of the Company and Jimont of around RMB2,000 million; (ii) the expectation to begin by procuring around 10% of acrylonitrile from Furunde; and (iii) the demand from the Company and Jimont will be even.

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Taking into account, in particular, (i) the Acrylonitrile Procurement Amount was around RMB2,000 million per year; (ii) the Caps are based on 10% of the Acrylonitrile Procurement Amount given the Company and Jimont expect to begin by procure around 10% of acrylonitrile from Furunde to diversify their sources of supply; and (iii) the terms of procurements are fair and reasonable as previously discussed, we are of the view that the Caps for the 2017 Furunde Acrylonitrile Supply Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

### **(E) 2017 Utilities and Services Provision Agreements**

We have reviewed letters to the Company issued by each of JCFCL, Aika and Kaimeike, which states the expected production capacity and utilities demand for each of the years ending 31 December 2017, 2018 and 2019 (the “Utilities Demand Letters”).

In respect of the calculations of the Caps for the 2017 Utilities and Services Provision Agreements, we understand the calculations are based on (i) the expected demands of utilities by JCFCL, Aika and Kaimeike, which are based on their then production capacities, as stated in the Utilities Demand Letters for each of the years ending 31 December 2017, 2018 and 2019; and (ii) the unit price of the utilities, which are based on the average price derived from the historical actual transaction amount of each type of utilities for the six months ended 30 June 2016. In accordance with the advices by the management of the Group, (i) among the various types of utilities and services under the 2017 Utilities and Services Provision Agreements, steam and electricity were the two principal types of utilities contributing to the amount of the Caps; (ii) for each of JCFCL, Aika and Kaimeike, the adopted unit price for steam was RMB133.67 per ton and the adopted unit price for electricity was RMB0.35 per unit; (iii) for JCFCL, the demanded volumes of steam are 1,918,140 tons, 3,118,140 tons and 3,118,140 tons, whereas the demanded volumes of electricity are 339,741,540 units, 490,941,540 units and 490,941,540 units, for each of the years ending 31 December 2017, 2018 and 2019, respectively; (iv) for Aika, the demanded volumes of steam are 129,500 tons, 222,000 tons and 222,000 tons, whereas the demanded volumes of electricity are 12,852,000 units, 22,032,000 units and 22,032,000 units, for each of the years ending 31 December 2017, 2018 and 2019, respectively; and (v) for Kaimeike, the demanded volumes of steam are 180,000 tons, whereas the demanded volumes of electricity are 424,800,000 units, for each of the years ending 31 December 2017, 2018 and 2019.

We have reviewed the calculation of the Caps and we have also reviewed, among other things, the average price derived from the historical actual transaction amount of each type of utilities with JCFCL and Aika (other than Kaimeike, which did not have relevant historical transaction) for the six months ended 30 June 2016. We note that (i) the unit prices of the utilities set out in the above table are based on the aforesaid average price derived from the historical actual transaction amount of each type of utilities for the six months ended 30 June 2016; and (ii) the expected volume demand set out in the above table are based on those stated in the Utilities Demand Letters.

In addition, we are advised by the management of the Group that the Power Station of the Company has sufficient capacity to provide utilities to all of the Company, Jimont, JCFCL, Aika and Kaimeike for each of the years ending 31 December 2017, 2018 and 2019 based on current demand estimations.

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Taking into account, in particular, (i) the Caps are calculated based on the expected utilities demand and prevailing unit price; (ii) the expected utilities demands have made reference to the production capacities of JCFCL, Aika and Kaimeike and are based on the Utilities Demand Letters; (iii) the expected price is based on the average unit price derived from the historical actual transaction amount for the six months ended 30 June 2016; and (iv) the transactions are of revenue nature and on terms that are fair and reasonable as previously discussed, we are of the view that the Caps for the 2017 Utilities and Services Provision Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

### RECOMMENDATION

Having considered the above, we are of the opinion that (i) the entering into of the Transactions is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Transactions are on normal commercial terms and, together with the Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Transactions, including the Caps, at the EGM.

Yours faithfully,  
For and on behalf of

**First Shanghai Capital Limited**

**Fanny Lee**  
*Managing Director*

**Allen Wang**  
*Director*

*Note: Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors, Chief Executive and Supervisors of the Company

As at the Latest Practicable Date, none of the Directors, the chief executive and the supervisors of the Company and their respective associates had any interest on short position in the shares, underlying shares and debentures of our Company and any of its associated corporations, which, would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or would be required, pursuant to section 352 of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), to be recorded in the register therein, or would be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

### (ii) Substantial Shareholders of the Company and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons have interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group.

Name of shareholder	Class of Shares	Capacity	Number of Shares interested	Approximate percentage in relevant class of Shares	Approximate percentage in total issued share capital of the Company
JCF Groupco	Domestic Shares	Beneficial owner	433,229,558	99.13%	50.01%
吉林市城市建設控股集團有限公司 (Jilin City Construction Holdings Group Co., Ltd.)	Domestic Shares	Interest in controlled corporation	433,229,558 <sup>1</sup>	99.13%	50.01%

**APPENDIX**
**GENERAL INFORMATION**

<b>Name of shareholder</b>	<b>Class of Shares</b>	<b>Capacity</b>	<b>Number of Shares interested</b>	<b>Approximate percentage in relevant class of Shares</b>	<b>Approximate percentage in total issued share capital of the Company</b>
Ronsace Company Limited	Non-H Foreign Shares	Beneficial owner	94,841,726	56.00%	10.95%
Bank of China Group Investment Limited	Non-H Foreign Shares	Interest in controlled corporation	94,841,726 <sup>2</sup>	56.00%	10.95%
Bank of China Limited	Non-H Foreign Shares	Interest in controlled corporation	94,841,726 <sup>2</sup>	56.00%	10.95%
Sanlink Investments Limited	Non-H Foreign Shares	Beneficial owner	44,029,105	26.00%	5.08%
China Insurance Group Investment Limited	Non-H Foreign Shares	Interest in controlled corporation	44,029,105 <sup>3</sup>	26.00%	5.08%
China Life Insurance (Overseas) Company Limited	Non-H Foreign Shares	Interest in controlled corporation	44,029,105 <sup>3</sup>	26.00%	5.08%
Halesfield Investment Limited	Non-H Foreign Shares	Beneficial owner	30,487,573	18.00%	3.52%
Huang Jia Sen	Non-H Foreign Shares	Interest in controlled corporation	30,487,573 <sup>4</sup>	18.00%	3.52%
Huang Jia Zi	Non-H Foreign Shares	Interest in controlled corporation	30,487,573 <sup>4</sup>	18.00%	3.52%
Huang Jia Yuan	Non-H Foreign Shares	Interest in controlled corporation	30,487,573 <sup>4</sup>	18.00%	3.52%
全國社會保障基金理事會 (The National Social Security Fund of the PRC)	H Shares	Beneficial owner	23,625,000	9.09%	2.73%

*Notes:*

- 433,229,558 Shares are deemed corporate interests indirectly held through JCF Groupco under the SFO. Jilin City Construction Holdings Group Co., Ltd. is a state-owned enterprise in the PRC.
- 94,841,726 Shares are deemed corporate interests indirectly held through Ronsace Company Limited under the SFO.
- 44,029,105 Shares are deemed corporate interests indirectly held through Sanlink Investments Limited under the SFO.
- 30,487,573 Shares are deemed corporate interests indirectly held through Halesfield Investment Limited under the SFO.

**3. FURTHER INFORMATION CONCERNING DIRECTORS****A. Directors' service agreements**

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**B. Competing interests**

None of the Directors and their respective Associates has an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company.

**C. Directors interests in assets**

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Company or proposed to be so acquired, disposed of or leased since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

**D. Directors interests in contracts**

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Company.

**4. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2015, the date to which the latest audited financial statements of the Company were made up.

The entry into by the Company of the continuing connected transactions agreements will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Company.

**6. QUALIFICATION OF EXPERT**

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
First Shanghai Capital Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

**7. CONSENTS OF EXPERT**

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

**8. INTERESTS OF EXPERT**

As at the Latest Practicable Date, First Shanghai Capital Limited:

- (a) does not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up.

**9. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS**

Under the articles of association of the Company, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless a poll is demanded by any of the following persons before (or after) any vote by a show of hands:

- (a) the chairman of the meeting;
- (b) at least two Shareholders entitled to vote present in person or by proxy; or
- (c) one or more Shareholder(s) present in person or by proxy and representing 10% or more of all Shares carrying the right to vote at the meeting singly or in aggregate.

In accordance with Rule 13.39(4) of the Listing Rules, all resolutions set out herein will be decided by poll at the EGM and chairman of the EGM will demand a poll for every resolution put to vote at the EGM.



**10. GENERAL**

- (a) The registered office of the Company is located at Block 4, Zone D, Hengshan West Road, Jilin New and High Technology Development Zone, Jilin City, Jilin Province, the PRC and the principal place of business of the Company in Hong Kong is located at Unit 1715, 17/F., Concordia Plaza, No.1 Science Museum Road, Tsimshatsui, Kowloon.
- (b) The H share register and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary is Mr. Chan Cheung (*HKICPA, FCCA*).
- (d) The qualified accountant of the Company is Mr. Chan Cheung, who is a member of the Hong Kong Institute of Certified Public Accountants and the Fellow Member of the Association of Chartered Certified Accountants.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the offices of Orrick, Herrington & Sutcliffe, the legal adviser of the Company, at 43/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong from the date of this circular until 26 October 2016:

- (a) the Non-exempt Continuing Connected Transactions Agreements;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this circular;
- (c) the letter of advice from First Shanghai, the text of which is set out on pages 37 to 50 of this circular; and
- (d) the written consent from First Shanghai referred in paragraph 7 of this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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吉林奇峰化纖股份有限公司  
**JILIN QIFENG CHEMICAL FIBER CO., LTD.\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 549)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Jilin Qifeng Chemical Fiber Co., Ltd. (the “**Company**”) will be held at the meeting room of 6th Floor, No. 516-1, Jiuzhan Street, Jilin City, Jilin Province, the People's Republic of China on Tuesday, 29 November 2016 at 9 a.m. to consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the 2017 Company-Tuopu Textile Sales Agreement dated 1 September 2016 entered into between Tuopu Textile and the Company and the continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”) contemplated thereunder be and are hereby approved;
- (b) the 2017 Company-Tuopu Textile Sales Annual Cap (as defined in the circular of the Company dated 12 October 2016 (“**Circular**”)) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director (“**Director**”) of the Company be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Company-Tuopu Textile Sales Agreement.”

2. “**THAT:**

- (a) the 2017 Jimont-Tuopu Textile Sales Agreement dated 1 September 2016 entered into between Tuopu Textile and Jimont and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Jimont-Tuopu Textile Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Jimont-Tuopu Textile Sales Agreement.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. **“THAT:**

- (a) the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement dated 1 September 2016 entered into between Furunde and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Company-Furunde Acrylic Fibre Products Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Company-Furunde Acrylic Fibre Products Sales Agreement.”

4. **“THAT:**

- (a) the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement dated 1 September 2016 entered into between Furunde and Jimont and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Jimont-Furunde Acrylic Fibre Products Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Jimont-Furunde Acrylic Fibre Products Sales Agreement.”

5. **“THAT:**

- (a) the 2013 Company-Furunde Acrylic Fibre Products Sales Revised Annual Cap (as defined in the Circular) for the financial year ending 31 December 2016 be and is hereby approved; and
- (b) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2013 Company-Furunde Acrylic Fibre Products Sales Revised Annual Cap.”

6. **“THAT:**

- (a) the 2013 Jimont-Furunde Acrylic Fibre Products Sales Revised Annual Cap (as defined in the Circular) for the financial year ending 31 December 2016 be and is hereby approved; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) any Director be and is hereby authorised, for on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2013 Jimont-Furunde Acrylic Fibre Products Sales Revised Annual Cap.”

7. **“THAT:**

- (a) the 2017 Company-JCF Import Export Sales Agreement dated 1 September 2016 entered into between JCF Group Import Export and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Company-JCF Import Export Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Company-JCF Import Export Sales Agreement.”

8. **“THAT:**

- (a) the 2017 Jimont-JCF Import Export Sales Agreement dated 1 September 2016 entered into between JCF Group Import Export and Jimont and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Jimont-JCF Import Export Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Jimont-JCF Import Export Sales Agreement.”

9. **“THAT:**

- (a) the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap (as defined in the Circular) for the financial year ending 31 December 2016 be and is hereby approved; and
- (b) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2014 Jimont-JCF Import Export Sales Agreement Revised Cap.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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10. **“THAT:**

- (a) the 2017 Company-Furunde Acrylonitrile Supply Agreement dated 1 September 2016 entered into between Furunde and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Company-Furunde Acrylonitrile Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Company-Furunde Acrylonitrile Supply Agreement.”

11. **“THAT:**

- (a) the 2017 Jimont-Furunde Acrylonitrile Supply Agreement dated 1 September 2016 entered into between Furunde and Jimont and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Jimont-Furunde Acrylonitrile Sales Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Jimont-Furunde Acrylonitrile Supply Agreement.”

12. **“THAT:**

- (a) the 2017 JCFCL Utilities and Services Provision Agreement dated 1 September 2016 entered into between JCFCL and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 JCFCL Utilities and Services Provision Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any director of the Company be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 JCFCL Utilities and Services Provision Agreement.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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13. **“THAT:**

- (a) the 2017 Aika Utilities and Services Provision Agreement dated 1 September 2016 entered into between Aika and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Aika Utilities and Services Provision Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Aika Utilities and Services Provision Agreement.”

14. **“THAT:**

- (a) the 2017 Kaimeike Utilities and Services Provision Agreement dated 1 September 2016 entered into between Kaimeike and the Company and the continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the 2017 Kaimeike Utilities and Services Provision Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any Director be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements to take all steps necessary or expedient to implement and/or give effect to the 2017 Kaimeike Utilities and Services Provision Agreement.”

By order of the Board  
**Jilin Qifeng Chemical Fiber Co., Ltd.\***  
**Song Dewu**  
*Director*

Jilin, the PRC, 12 October 2016

*Notes:*

- 1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf in accordance with the articles of the Company. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
- 2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the Company’s H Share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong (in respect of H Shares), or to the Company’s principal place of business in the PRC at No.516-1, Jiuzhan Street, Jilin City, Jilin Province, the PRC (Postal Code: 132115) (in respect of Domestic Shares and Non-H Foreign Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she so desires. If a Shareholder attends the EGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.
5. Shareholders who intend to attend the EGM should complete and return the reply slip in writing by hand or by post to the company's H Shares registrar in Hong Kong (for holders of H Shares) or the registered office of the Company in the PRC (for holders of Domestic Shares and Non-H Foreign Shares) before Wednesday, 9 November 2016.

The name and address of the Company's H Shares Registrar in Hong Kong is as follows:

Computershare Hong Kong Investor Services Limited  
46th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

The registered office of the Company in the PRC is as follows:

Block 4, Zone D,  
Hengshan West Road,  
Jilin New and High Technology Development Zone,  
Jilin City,  
Jilin Province,  
The PRC

6. The holders of shares of the Company should note that the register of members of the Company will be closed from Monday, 31 October 2016 to Tuesday 29 November 2016 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong (in respect of H Shares), or the Company's registered office in the PRC (in respect of Domestic Shares and Non-H Foreign Shares), no later than 4.30 p.m. on Friday, 28 October 2016
7. Voting of all resolutions as set out in this notice will be by poll in accordance with Rule 13.39(4) of the Listing Rules.

\* *The company is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) under the English name "Jilin Qifeng Chemical Fiber Co., Ltd."*

*As at the date of this notice, the executive Directors are Mr. Song Dewu, Mr. Yang Xuefeng and Mr. Pan Xianfeng, the non-executive Directors are Mr. Ma Jun, Mr. Jiang Junzhou and Mr. Wu Song, and the independent non-executive Directors are Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo and Ms. Zhu Ping.*